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Pacific Trade Winds: Towards a Global History of the Manila Galleon

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Pacific Trade Winds: Towards a Global History of the Manila Galleon

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A Thesis presented to the Graduate Faculty
of the College of William and Mary in Candidacy for the Degree of
Master of Arts

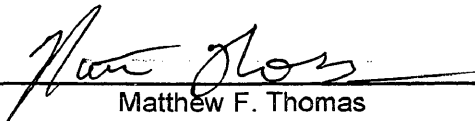
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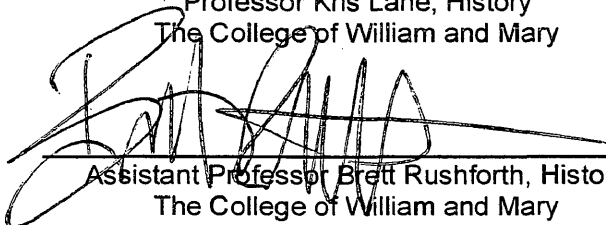
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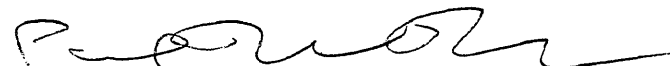

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ABSTRACT PAGE

Columbus' renowned 1492 voyage marked the beginning of Spain's quest to reach the fabled riches of Asia by sailing west rather than east. Eighty years later, Columbus' dream of establishing a westerly trade route to China was achieved with the founding of Spanish Manila. Within a few short decades, millions of pesos' worth of New World silver and Asian goods flowed annually across the Pacific via the Manila Galleon trade network. Historians have not neglected the sudden rise of transpacific commerce in the late sixteenth-century. Woodrow Borah, William L. Schurz, O.H.K. Spate, and other notable twentieth-century scholars were all drawn to the topic. While more recently, economic historians have focused attention on the direct flow of New World silver to Asia from the sixteenth to nineteenth-centuries. This scholarship however, has failed to offer a truly global account of the Manila Galleon's impact on patterns of consumption in Spanish America, Spanish imperial policy making, or global trade patterns. With the goal of fostering more comprehensive and interdisciplinary research on early modern transpacific trade, this paper situates the early development of the Manila Galleon within a global market framework. In contrast to past scholarship, which has focused predominantly on Pacific silver flows to Asia, a global market framework explains the rapid development of transpacific trade in the late 1500s as a consequence of the complimentary demand for silver in China and imported commodities in Spanish American markets. By drawing on world-systems analysis, Chinese economic history, Portuguese and Spanish imperial history, along with European, Asian, and colonial Latin American historiography, this paper challenges existing narratives of the Manila Galleon by examining Spanish American market as important sites of both the production and consumption of global commodities. In doing so, it identifies future avenues of research regarding the impact of transpacific commerce on historical developments in colonial Latin America specifically and the early modern trading world more generally.

Table of Contents

Introduction	1
A Note on Sources	4
The Colorful Curio: Historiography of the Manila Galleon	6
Beyond Silver Flows	13
The Structure of Sixteenth Century Spanish Atlantic Trade	23
The Structure of Early Colonial Trade	30
The Birth of Transpacific Trade	33
Early Commercial Expansion: 1571 – 1586	37
Commercial Expansion and Rivalry	49
Galleons in a Silver Sink: 1586 – 1604	56
Regulating the Pacific	70
An Early Modern Pacific World?	76
Conclusion	94
Bibliography	103

Introduction

“It seems to me that one of the good and most important businesses in this land [the New World] is merchandise, for in that are the true mines, beyond what one can believe...The profit is so sure and so large that a well stocked shop here is the richest thing in the world, alchemy itself.” – Juan Peláez de Berrío, *alcalde mayor* of Oaxaca, 1529¹

“This [the discovery of the sea route from the Philippines to New Spain] is a great and very important achievement; and the people of Mexico are very proud of their discovery, which they think will make them the center of the world.” - Unknown Author, Letter to Miguel Salvador of Valencia²

Columbus' renowned 1492 voyage marked the beginning of Spain's quest to reach the fabled riches of Asia by sailing west rather than east. As is commonly known, the Genoese navigator failed to reach Cathay, finding the way blocked by the vast continental landmasses of North and South America. Despite the initial failure to discover a direct westerly route to Asia, Spanish monarchs did not abandon the search for such a course. While conquistadores spent much of the half century following Columbus' first voyage conquering and consolidating control over large sections of Central and South America, the Spanish Crown continued to fund voyages of exploration, the most celebrated being Magellan's circumnavigation of the globe in 1521. Forty years later, the Crown of Castile succeeded in gaining a foothold in Asia through the establishment of a small colony in the Philippine Islands. By 1571, Columbus' dream of establishing a direct, westerly trade route to China was achieved with the founding of Spanish

¹ Quoted in Peter Bakewell, *A History of Latin America to 1825, Third Edition* (Oxford: Wiley-Blackwell, 2010), 253-254.

² Emma Blair and James Robertson, eds. *The Philippine Islands 1493 - 1898, Volume II* (Cleveland: A.H. Clark, 1903-1909), “Letter to Miguel Salvador of Valencia”, 226.

Manila. However, it was not Europe that was now directly linked to a commercially expanding Asia but rather the increasingly silver-rich and chronically undersupplied markets of the New World. Within a few short decades, millions of pesos' worth of New World silver and Asian, principally Chinese, goods, flowed annually across the Pacific via the Manila Galleon or 'nao de la China' trade network. Would these Asian goods find their way to European consumers or would they be absorbed by the emerging markets of Spanish America? This was soon a major question facing powerful Spanish merchants and royal authorities. How it was answered is the main topic of this thesis.

Historians have not neglected the sudden rise of transpacific trade in the late sixteenth and early seventeenth centuries. Woodrow Borah, William L. Schurz, O.H.K. Spate, and other notable twentieth-century scholars were all drawn to the topic. More recently, economic historians have shed new light on the Manila Galleon through their efforts to estimate the amount of New World silver being shipped directly to Asia from the sixteenth to nineteenth centuries. This scholarship, however, has failed to offer a truly global assessment of the Manila Galleon's impact on shipping routes, markets, and patterns of consumption and production throughout Spanish America and the early modern trading world in general. Its emphasis has been bullion flows. Nor have these new studies taken into account the efforts of Spanish, Portuguese, and Chinese merchants to create a transpacific commercial network and the corresponding push by the Spanish Crown to control and ultimately suppress such a development in the late sixteenth century.

The aim of this thesis is not to provide an exhaustive, global history of Spanish transpacific trade, but rather to situate the early development of the Manila Galleon exchange system within a global market framework, emphasizing sites of consumption. In doing so it seeks to focus scholarly attention on the flow of Asian commodities to Spanish America and the impact of these goods on colonial markets, merchant activity, patterns of consumption, and

Spanish imperial policy making. In contrast to prior research, this thesis will seek to explain the rapid expansion of the Manila Galleon trade network in late 1500s in terms of the complementary demand for silver in Asia and imported commodities in Spanish American markets. In doing so, it examines how the opening of transpacific trade impacted more than global bullion flows. While its affect was felt on commerce through Southeast Asia, the Atlantic, and Indian Oceans, the Manila Galleon transformed inter colonial trade networks in Spanish America by introducing large quantities of Asian commodities into colonial markets. This development altered consumption patterns throughout Spanish America and threatened to undermine the Consulado of Seville's monopoly over colonial markets and the royal finances of the Crown of Castile. Therefore, within the global market framework presented here, Spanish American markets will be examined as important centers not only for the production of silver but the consumption of global commodities.

The focal point of this study will be the roughly three and a half decades between 1571 and 1604. Together, these correspond to the establishment of Spanish Manila and the year in which numerous *cédulas* issued by Philip II and Philip III concerning transpacific commerce were compiled and reissued as a single decree. The 1604 compilation formed the basis of a comprehensive regulatory policy governing transpacific commerce that remained almost unchanged for two centuries. The historical developments to be examined within this period will center first on the role of Spanish, Portuguese, and Chinese merchants in the rapid expansion of transpacific trade in the late sixteenth-century and the effect of this commerce on markets and patterns of consumption in the Americas and beyond. Second, it examines how such developments awoke in the Spanish Crown an increasing anxiety over the drain of New World silver to Asia and the flow of Asian commodities to Spanish American markets. Together, these flows threatened to undermine the Crown's ability to continuously exploit its American colonies in order to bankroll imperial ambitions in continental Europe and the Mediterranean basin.

To explore the above themes, this study will begin with an overview of the historiography of the Manila Galleon before introducing a new, global market framework for the study of early modern transpacific trade. Having delineated this framework, an outline of Asian and Spanish American economic development during the late 1500s will be presented. From there, a more in-depth portrayal of Spanish Atlantic and inter-Pacific colonial trade will be provided for the same period with special emphasis on the ways in which the Spanish Crown regulated this commerce for its own financial benefit. Finally, the study will examine, through a narrative format utilizing primary sources in translation, the expansion of transpacific trade and its impact on economic, social, and political developments within East Asia, the New World, and Spain throughout the last third of the sixteenth century.

As the research presented here is based on a rather limited review of primary documents and in fact borrows heavily from prior research, it cannot nor does it seek to offer firm conclusions to the questions raised. Challenging existing narratives of the Manila Galleon trade and enlarging the scope of analysis will, however, help to identify unanswered questions regarding the ways transpacific trade impacted historical developments in Spanish America specifically, and the early modern trading world more generally. The ultimate aim of this paper is, therefore, the mapping out of a more comprehensive and interdisciplinary research plan that identifies future avenues of research and primary source material that can help to broaden and deepen the history of early modern transpacific trade.

A Note on Sources

The majority of primary sources referenced here are letters and reports written by colonial officials or ecclesiastics serving in Spain, Spanish Manila, the viceroyalties of New Spain and Peru, and various Portuguese trading outposts throughout Asia. Most of these documents were

translated into English and published in Emma Blair and James Robertson's multi-volume collection, *The Philippine Islands 1493 – 1803*. This fifty-five volume collection of primary documents relating to Spain's colonial presence in the Philippines was published between the years 1903 and 1909. Since then, it has been heavily cited by scholars and remains an indispensable source for those conducting research on Spanish colonial rule in the Philippines and the Manila Galleon trade network.

Despite its heavy use by historians, it must be recognized that Blair and Robertson's collection presents a predominantly Western or more specifically Spanish point of view on the colonial Philippines and transpacific trade. The voices of Filipinos or other non-Spanish individuals rarely surface in the selected documents nor those of Spanish, Portuguese, or Asian merchants involved in transpacific commerce. Furthermore, the collection is heavily composed of official reports and letters to the king of Spain, which convey information on the state of Spanish colonial rule in the Philippines and Asia in general. In regards to the Manila Galleon specifically, this results in what is often conflicting information from two or more authors. For the period in question, 1571-1604, there were those in favor of a general expansion of transpacific trade and those against it. Individual authors of various reports and letters also sought to curry favor with the king and advance their own personal interests. As a result, historians must weigh conflicting viewpoints against one another and ultimately decide who is being more truthful.

Admittedly, the reliance on documents in the Blair and Robertson collection limits the scope of this research. While the Manila Galleon is examined within a global framework, the early history of the trade route is ultimately told here from the view-point of the Spanish crown, the Consulado of Seville, and various colonial officials. Because of this, definitive conclusions on the quantitative and qualitative impact of transpacific trade on trade routes, markets, and patterns of consumption in Spanish America and the early modern trading world cannot be offered.

However, for the purpose of this study, presenting a new framework for examining early modern transpacific trade, the Blair and Robertson collection provides a large and important set of documents that can help to outline future avenues of research that can address the historical questions raised here.

The Colorful Curio: Historiography of the Manila Galleon

While the Manila Galleon may be regarded as, in the words of Peter Coclanis, a “colorful curio or, at best a sideshow” of Latin American history, there is a significant historiography of the famous 'nao de la China' trade network.³ Many of the principal works date from the mid-twentieth century, however, with most subsequent scholarship offering few significant additions or radically new interpretations. William Schurz's *The Manila Galleon*, published in 1939, remains the definitive and only full-length study on transpacific trade for the early modern period. Schurz was neither the first nor the last scholar to publish archive-based research on the Manila Galleon, but like him, most historians have examined the development of transpacific commerce within traditional frameworks such as colonial Latin American, Spanish Imperial, or less frequently, East Asian or Pacific economic history.⁴ Most research has also focused predominantly on the westward flow of American silver to Asia at the expense of more detailed research on the eastward trade in Asian commodities. As result, the Manila Galleon has

³ Peter Coclanis, “Pacific Overtures: The Spanish Lake and the Global Economy, 1500-1800,” *Common-Place* 5, no. 2 (January 2005): 1.

⁴ See William Schurz, *The Manila Galleon* (New York: E.P. Dutton, 1939). Woodrow Borah, *Early Colonial Trade and Navigation Between Mexico and Peru* (Los Angeles, CA: University of California Press, 1954). C.H. Haring, *Trade and Navigation Between Spain and the Indies* (Cambridge, MA: Harvard University Press, 1918). O.H.K. Spate, *The Pacific Since Magellan Vol. 1: The Spanish Lake* (Minneapolis: University of Minnesota Press, 1979). Nicholas Cushner, *Spain in the Philippines* (Manila: Ateneo de Manila University, 1971). Katharine Bjork, “The Link That Kept the Philippines Spanish: Mexican Merchant Interests and the Manila Trade, 1571-1815,” *Journal of World History* 9, no. 1 (1998): 25-50. Guillermina Del Valle Pavón, “Los Mercaderes de México: la Transgresión de los Límites al Comercio Pacífico en Nueva España, 1550-1620,” *Revista de Historia* 23 (2005): 213-240.

not been examined within a comprehensive global framework that gives equal weight to the flow of New World silver to Asia and the corresponding flow of Asian commodities to Spanish American markets.

Despite being focused on early modern Spanish Atlantic trade, C.H. Haring's *Trade and Navigation Between Spain and the Indies* and *The Spanish Empire In America* offer a limited discussion of the development and impact of the Manila Galleon. Following the establishment of Spanish Manila, Haring noted, "it was soon realized that an opening was afforded for the introduction into Spanish America of oriental [goods]...to the great advantage of the colonial consumer." While there is little substantive discussion concerning the variety or overall amount of such merchandise flowing to colonial markets, Haring argues that by the late sixteenth century, transpacific commerce caused a decline in Atlantic trade levels.⁵ Although the rapid development and impact of transpacific commerce is recognized in both works, the Manila Galleon is examined within a Spanish Imperial framework that emphasizes its affect on Spanish transatlantic trade and Spanish colonial policy making.

Still, the definitive work on the Manila Galleon trade route is William Schurz's *The Manila Galleon*, a compelling, if somewhat romantic account of the routes roughly two and a half centuries of history. Unlike Haring, Schurz examined Spanish transpacific trade within a largely Pacific framework. By focusing on the Pacific as opposed to Spanish America or the Spanish Atlantic, *The Manila Galleon* presented an outline of the multiple trade routes linking Spanish Manila to markets throughout Asia and the Americas. Schurz's research on the flow of Asian commodities to Spanish America was also more extensive than anything before and arguably since. Despite his description of Spanish Manila as a trading emporium by the early 1600s, however, Schurz focused attention on the flow of Chinese silk to Spanish American markets. He went so far as to label the Manila Galleons as "above all...silk ships [because] silks in every stage

⁵ C.H. Haring, *Trade and Navigation Between Spain and the Indies*, 45.

of manufacture and of every variety of weave and pattern formed the most valuable part of their cargoes.”⁶ Having identified raw silk and silk textiles as the largest and most valuable of eastbound cargo emanating from the Philippines, Schurz explains the heavy regulation of the Manila Galleon in 1604 by the need to safeguard Seville’s transatlantic trade in textiles.⁷ Although a pioneering study, the heavy focus on Chinese silk and the broad scope of Schurz’s research ultimately resulted in a limited discussion of transpacific trade’s impact on Spanish American trade routes and patterns of consumption.

Like Schurz’s *The Manila Galleon*, Woodrow Borah’s *Early Colonial Trade and Navigation Between Mexico and Peru* was a pioneering work that remains the definitive study on its subject matter. In it, the development and structure of sixteenth century commerce between the viceroyalties of New Spain and Peru is examined. Borah argues that the establishment of the Manila Galleon route led to a dramatic increase in the volume and value of inter-colonial trade. While regular commerce between New Spain and Peru had existed since the 1500s, it remained relatively limited until increasing quantities of Asian goods began arriving in Acapulco in the late 1570s. Along with Harry E. Cross, Borah is one of the only scholars to provide quantitative estimates for the annual value of inter-colonial trade during the sixteenth and early seventeenth centuries.⁸

Building in part on Schurz’s, and to a lesser extent Borah’s work, O.H.K. Spate placed the Manila Galleon trade network within a larger history of the early modern Pacific in his ambitious *The Pacific Since Magellan, Vol. 1: The Spanish Lake*. Spate’s work examined the development of maritime relations between Asia and the Americas during the sixteenth century.

⁶ William Schurz, *The Manila Galleon*, 32.

⁷ “a strong movement was set on foot in Spain to limit or ban altogether the importation of Chinese silks... [and a] system of restrictive legislation was instituted, with the object of limiting the volume of silks which the galleons might carry.” William Schurz, *The Manila Galleon*, 32.

⁸ See Harry E. Cross, “South American Bullion Production and Export, 1550-1750,” in J.F. Richards, ed., *Precious Metals in the Later Medieval and Early Modern Worlds* (Durham, NC: Caroline Academic Press, 1983), 397-424.

As the title suggests, the focus of the work was on the creation of a Pacific commercial space by European, specifically Spanish and, to a lesser degree, Portuguese voyages of exploration, conquest, and trade. The role of the Manila Galleon trade network occupies a central place in this history and a considerable part of *The Spanish Lake* is devoted to examining its early development. Spate elaborates more fully than Schurz on commercial contacts between Spanish Manila and the wider Asian trading zone. At the same time, a more complete picture of eastern Pacific trade networks linking Spanish American colonies to the Manila Galleon trade route is outlined. The importance of New World silver in transpacific commerce leads Spate to also devote significant attention to the emergence of silver mining in Spanish America. While the eastern flow of Asian commodities to Spanish America is not neglected, Spate focuses more attention on the westward trade in silver and the impact this had on the Spanish crown's effort to gain control over transpacific commerce in the late 1500s.

While the work of Schurz and Spate broadened the study of the Manila Galleon beyond the Spanish imperial or the Spanish American framework utilized by Haring and Borah, a truly global approach was still wanting. Over the course of the last two decades, however, the economic historians Dennis Flynn and Arturo Giráldez have begun the process of globalizing the study of early modern transpacific trade. Unlike earlier historians of the Manila Galleon, they approached transpacific trade from the standpoint of an Asian, specifically Chinese-centered early modern global economy as opposed to a Eurocentric model. The main crux of the argument made by scholars in favor of an Asian-centric framework is the tendency of silver to gravitate towards Asia throughout the early modern period. For Flynn and Giráldez, along with Richard von Glahn and the late Andre Gunder Frank among others, the tendency of silver to flow towards Asia was caused primarily by the high demand for silver bullion in China.

Utilizing a sinocentric model of the early modern global economy based on global silver flows, Flynn and Giráldez argued that larger amounts of New World silver traveled along

transpacific trade routes from the sixteenth to nineteenth centuries than had been acknowledged by earlier historians. As a result, the overall value of the Manila Galleon trade is now recognized as being higher than previous estimates, but by how much remains a contentious issue.⁹

According to Flynn and Giráldez, an average of two million pesos', or 50 tons' worth of New World silver flowed annually through Manila on its way to Asian markets. In comparison, during the seventeenth century European merchants shipped an estimated 50 tons of silver to Asia each year via the Cape Route.¹⁰

To back up their two million peso estimate, Flynn and Giráldez relied heavily on stock demand monetary theory as opposed to quantitative data on New World silver production and export. Within this theoretical model, currency, in this case silver bullion, is traded like any other global commodity. It responds to market forces and will gravitate towards those markets where it is most highly valued. For most of the early modern period, Asian markets, specifically that of China, valued silver higher than those of Europe or Spanish America. In the late 1500s, silver was priced nearly twice as high in Canton as it was in Seville.¹¹ By the mid seventeenth century, Chinese political and economic instability caused the value of silver to fall, reaching parity with Europe in the 1640s. After mid-century however, prices began to diverge once more and by the early 1700s silver was valued fifty percent higher in Canton.¹² Using stock demand monetary theory, Flynn and Giráldez therefore argue that the vast majority of American silver that was not

⁹ For an overview of this debate see Richard Garner, "Where Did All the Silver Go? Bullion Outflows 1570-1650: A Review of the Numbers and the Absence of Numbers," *Economic History Data Desk*, <https://home.comcast.net/~richardgarner007/Pubs/NetDraft-SilverGoRev.pdf> (accessed May 21, 2010).

¹⁰ See Dennis Flynn and Arturo Giráldez, "Born with a 'Silver Spoon': The Origins of World Trade in 1571," *Journal of World History* 6, no. 2 (Fall 1995): 201-221. Dennis Flynn and Arturo Giráldez, "Arbitrage, China, and World Trade in the Early Modern Period," *Journal of the Economic and Social History of the Orient*, 38, No. 4 (1995): 429-448.

¹¹ "gold was exchanged for silver in Canton at the rate of 1:5.5 to 1:7, while in Spain the exchange rate was 1:12.5 to 1:14, thus indicating that the value of silver was twice as high in China as in Spain." Pierre Chaunu, *Les Philippines et le Pacifique des Ibériques* (Paris : Sevpen, 1960), 2.

¹² "A fifty percent premium [on silver] existed this time, rather than the one hundred percent premium during the 1540-1640 period." Dennis Flynn and Arturo Giráldez. "Cycles of Silver, Global Economic Unity Through the Mid-Eighteenth Century," *Journal of World History* 13, no. 2 (Fall 2002): 395.

remitted to Europe between the late sixteenth and early nineteenth century flowed across the Pacific owing to the strong demand for and price of silver in Asian markets.

The use of stock demand monetary theory and a sinocentric economic framework resulted in Flynn and Giráldez's research being narrowly focused on the flow of New World silver directly to Asia via the Manila Galleon trade route. This in turn has led them argue that the rapid expansion of transpacific commerce after 1571 was driven largely by the high demand for silver in China. In the end, Flynn and Giráldez's largely one-dimensional focus on bullion flows has offered little concerning the impact of transpacific commerce on historical developments outside of the global production and exchange of silver. Nonetheless, their research has helped to globalize the history of the Manila Galleon while demonstrating its importance in terms of the early modern silver trade.

While Flynn and Giráldez's research has brought renewed attention to early modern transpacific trade, their two million pesos a year average has been challenged. Scholars such as Richard Garner argue that while their estimate may be true for the entire history of the Manila Galleon, it distorts the size and significance of transpacific trade for the time period being studied here, 1571 to 1604. Garner instead argues that in the late sixteenth and early seventeenth centuries, the annual value of transpacific trade fluctuated widely and rarely, if ever, approached an average of two million pesos. Using historical data on silver production and bullion exports from the New World that was not available to Flynn and Giráldez, Garner instead argued that an annual average of 700,000 pesos flowed to Spanish Manila between 1569 and 1647.¹³

In the end, Flynn and Giráldez's figures may be too high when compared to the historical data available for the period 1571 to 1604. As Garner pointed out, however, documents pertaining to New World silver production and export must be approached with skepticism. Furthermore, contraband trading was endemic in both Atlantic and Pacific

¹³ Richard Garner, "Where Did All the Silver Go?," 17.

commerce and there existed a significant level of illegal, unminted silver circulating within the colonial markets of Spanish America. Therefore, the precise annual value of silver shipped to Asia via the Manila Galleon trade route will, in all likelihood, never be known. For the purpose of the research here, it will be assumed that by the 1590s, annual transpacific silver flows fluctuated between Garner's low estimate of 700,000 and Flynn and Giráldez's high of two millions pesos.

Other recent scholarly contributions to the existing historiography of the Manila Galleon include research by Katharine Bjork and Guillermina Del Valle Pavón. In the article "The Link that Kept the Philippines Spanish: Mexican Merchant Interests and the Manila Trade, 1571-1815", Bjork argues that the Philippines should be viewed more as a colony of New Spain rather than of Spain. This work is significant in that, like Flynn and Giráldez's research, it rejects Immanuel Wallerstein's core/periphery model of the European world- system to explain transpacific trade. Instead, Bjork argued that the Manila Galleon was affected by the interests of Mexican merchant elites and "the dynamics of a global economy driven by Asian products and practices."¹⁴ In "Los Mercaderes de México Y la Transgresión de los Límites al Comercio Pacífico en Nueva España, 1550-1620," del Valle Pavón examines the reasoning behind the severe regulation of the Manila Galleon in the late 1500s. Highlighting Philip II's financial difficulties, she contends that the main reason for the heavy suppression of transpacific trade was to prevent the further drain of silver to Asia.¹⁵ While this argument is not necessarily new, compared to previous research, Del Valle Pavón provided a more detailed investigation of the rationale behind the Crown's regulation of the Manila Galleon.

The works reviewed here by no means represent an exhaustive account of scholarly research on the Manila Galleon. They do, however, present an adequate sketch of how the study

¹⁴ Katharine Bjork, "The Link That Kept the Philippines Spanish," 25-50.

¹⁵ Guillermina Del Valle Pavón, "Los Mercaderes de México la Transgresión de los Límites al Comercio Pacífico en Nueva España," 213-240.

of early modern transpacific trade has developed over time. Today, largely because of the work of Flynn and Giráldez, the Manila Galleon has been situated within a global framework, albeit one narrowly focused on early modern silver flows. Silver bullion was an integral component of transpacific trade throughout the early modern period. However, New World silver, whether one treats it as a commodity or currency, represents only one side of the proverbial coin. The overwhelming focus on silver within the historiography of the Manila Galleon has left questions concerning the flow of Asian commodities to Spanish American markets unanswered. To what extent, for example, did the demand for imported commodities by Spanish American consumers drive the initial expansion of transpacific trade in the late 1500s? What type and quantity of Asian wares were shipped to the New World? Were such goods consumed largely by colonial elites or did indigenous, African, and laboring-class Spanish and Creole consumers also purchase Asian imports on a regular basis? And finally, how significant of a threat to Seville's monopoly over colonial markets and the Spanish crown's finances was sixteenth century transpacific commerce? To answer these and other questions, a more comprehensive, global framework that treats Spanish American markets as sites of production and consumption is sorely needed in order to broaden and deepen the history of early modern transpacific trade.

Beyond Silver Flows

At its heart, the historical narrative of the Manila Galleon is a quintessential global story. Not only did it bridge the world's largest body of water to directly connect Asia and the Americas, it transformed commerce in both the Atlantic and Indian Oceans. In terms of policy, the rapid expansion of transpacific trade after 1571 forced the Spanish Crown to confront the difficulties of governing and maintaining both economic and political control over the world's first truly global empire. To begin to understand, let alone tell such a story, requires an

interdisciplinary approach that draws from European, Asian, colonial Latin American, and Atlantic historiography (plus Art History and Archeology), along with more specialized fields such as world-systems analysis, Chinese economic history, and Portuguese and Spanish imperial history among others. Therefore, while certain aspects of the Manila Galleon trade may be examined within more traditional historical frameworks, arriving at a more comprehensive understanding of how the opening of transpacific commerce impacted global economic, political, and social developments requires an entirely different frame of analysis.

The global market framework advocated here for the study of the Manila Galleon draws heavily from recent developments in world-systems analysis and global economic history. Over the last two decades, the argument of both Fernand Braudel and Immanuel Wallerstein that capitalism was invented in sixteenth-century Europe and that Europe expanded outwards to organize the world around itself during the early modern era has come under increasing scrutiny.

¹⁶ Scholars such as Richard von Glahn and the aforementioned Dennis Flynn and Arturo Giráldez, have argued that in terms of global silver flows, the early modern global economy was organized around China.¹⁷ Therefore, it was the high demand for silver in China that drove the increase in global trade throughout the early modern era and not European expansion. While European merchants played an increasingly important role in global commerce during this period, they were essentially middlemen, facilitating the flow of American silver to Asia in exchange for various Asian commodities. Building in part on this research, Andre Gunder Frank,

¹⁶ See Fernand Braudel, *Civilization and Capitalism 15th-18th Century, Volumes 1-3* (New York: Harper & Row Publishers Inc, 1979). Immanuel Wallerstein, *The Modern World-System: Capitalist Agriculture and the Origins of the World-Economy in the Sixteenth Century* (New York: Academic Press Inc, 1976) and *World-Systems Analysis* (Durham, NC: Duke University Press, 2004).

¹⁷ See Dennis Flynn and Arturo Giráldez, "Born with a Silver Spoon"; "Arbitrage, China, and World Trade in the Early Modern Period"; "Cycles of Silver". Also see Richard von Glahn, *Fountain of Fortune: Money and Monetary Policy in China 1000-1700* (Berkeley, CA: University of California Press, 1996), and "Money Use in China and Changing Patterns of Global Trade in Monetary Metals, 1500-1800," in *Global Connections and Monetary History, 1470-1800*, ed. Dennis Flynn, Arturo Giráldez, and Richard von Glahn (Burlington, VT: Ashgate Publishing Company, 2003), 187-201.

James Blaut, and Janet L. Abu-Lughod among others, advanced the argument that a world economy existed prior to the beginning of Europe's overseas expansion in the fifteenth century and that it remained centered on Asia for the entirety of the early modern period.¹⁸ Kenneth Pomeranz and K. N. Chaudhuri have also argued that prior to the nineteenth century industrial revolution in Europe, many regions of China and Asia in general, were more economically developed and "capitalist" than Europe.¹⁹

While the case for an Asian or sinocentric early modern global economy raises important questions concerning Eurocentrism and western historiography, the arguments for and benefits of trading one 'centrism' for another remains debatable. Nonetheless, historians must now recognize the economic weight of Asia and the central place of China within the early modern silver trade. In this respect, pace Wallerstein and Braudel, a global market framework rejects the idea of European exceptionalism and the argument that the sixteenth-century world economy was created and in turn centered on an expanding and economically more developed Europe. Rather, it recognizes that at this time Asia, and more specifically China, enjoyed a competitive productive edge over Europe and may have constituted the true center of a centuries-old global economic system.

While a global market framework recognizes the economic weight of China throughout the early modern period, it is not based on a sinocentric model of the early modern global economy. As the work of Flynn and Giráldez has demonstrated, the use of such a framework for the study of transpacific trade leads to a predominant focus on silver exports from Spanish

¹⁸ See Andre Gunder Frank and Barry Gills, eds., *The World System: Five Hundred Years or Five Thousand?* (New York: Routledge, 1993). Andre Gunder Frank, *ReOrient: Global Economy in the Asian Age* (Berkeley California: University of California Press, 1998).

¹⁹ "Asia's absorption of silver, and to a lesser extent gold...in the seventeenth century, was primarily the result of a relative difference in international production cost and prices. It was not until the large-scale application of machinery in the nineteenth century that Europe was able to bridge the effect of the price differential." K.N. Chaudhuri, *The Trading World of Asia and the East India Company 1660-1760* (Cambridge: Cambridge University Press, 1978), 456. See also Kenneth Pomeranz, *The Great Divergence: China, Europe, and the Making of a Modern World Economy* (Princeton, NJ: Princeton University Press, 2000).

America. It also explains this export trade largely as a consequence of the high demand for bullion in China. As a result, Spanish America's role in transpacific commerce and global trade in general, is defined largely by its ability to supply a seemingly limitless amount of silver.

Furthermore, within a sinocentric framework, Spanish America is understood to be a peripheral region whose economy was affected, to quote Katharine Bjork once more, by "the dynamics of a global economy driven by Asian products and practices."²⁰ As a result, there is little emphasis on tracing the impact of transpacific trade on historical developments in Spanish America.

Stock demand monetary theory and sinocentric frameworks explain theoretically why silver bullion flowed consistently to China throughout the early modern period. They do not adequately address, however, why Spanish merchants were compelled to ship millions of pesos' worth of silver to Asia. They also fail to take into account how internal Spanish American economic and social developments connected but not limited to silver mining, helped to drive the expansion of transpacific trade in the late 1500s. Therefore, in contrast to an Asian or sinocentric model, a global market framework does not seek to explain the development of transpacific trade predominantly in terms of economic expansion in Asia and global silver flows to China. Rather, it seeks to understand the Manila Galleon trade network in terms of the complementary demand for imported commodities in Spanish American markets and silver in China. The focus on this complementary demand allows for a more balanced approach to conducting research on early modern transpacific trade. It also focuses attention on the ways in which historical developments in Spanish America both impacted and were affected by this commerce.

Emphasizing the role of Spanish American markets as both a producers and consumers of global commodities can also help to globalize the early history of the Manila Galleon beyond silver flows. While Atlantic remittances of New World silver were crucial in bankrolling the

²⁰ Katharine Bjork, "The Link That Kept the Philippines Spanish," 25-50.

imperial ambitions of Philip II, Seville's near monopoly over colonial markets was an equally important source of revenue. It allowed Sevillean merchants to reap substantial profits from the importation of European goods to Spanish America, which in turn allowed them to loan impressive sums to the crown. The opening of direct trade with Asia threatened to undermine Seville's control of Spanish American markets and with it, the ability of Philip II to finance his imperial ambitions within continental Europe and the Mediterranean basin. By focusing on the demand for imports in Spanish America, a global market framework shows that the rapid rise of transpacific trade impacted not just bullion flows but also patterns of consumption in Spanish America and with them, the financial underpinnings of Spain's sixteenth-century global empire.

When viewed from the standpoint of a global market framework, the establishment of regular transpacific trade in the last third of the sixteenth-century is significant in several respects. While it created, for the first time in history, a commercial link between Asia and the Americas, it did so at a time when the economies of both regions were undergoing periods of expansion. In Asia and the Americas, silver had an integral role to play in this process. The rapid expansion of silver mining after 1550 helped fuel a general expansion of colonial economies throughout Spanish America. This expansion helped to increase the demand for imported supplies of not only consumer goods but also raw materials and slaves for use in the mining and agriculture sectors. While in Asia, the demand for silver, principally by Chinese merchants, helped bring about an increase in inter-Asian commerce and economic development.

As those who argue in favor of a sinocentric early modern global economy have emphasized, sixteenth-century economic expansion in Asia was driven in part by an increase in China's foreign trade. The main reason for this increase can be traced to the growing demand within China for silver bullion. The inability of the Ming dynasty to successfully develop a stable medium of exchange, whether paper currency or bronze coinage, drove Chinese merchants as

early as the 1430s to seek out silver as a store of value.²¹ By the 1500s, silver emerged as the preferred medium of exchange for Chinese merchants. Tax policies of the Ming dynasty also contributed significantly to the high demand for silver in China. Beginning in 1581, the dynasty required that all land taxes be paid in silver. This policy compelled millions of Chinese peasants to procure supplies of the metal each year from merchants. To do so, many expanded production of silk thread and other marketable goods that could be exchanged for silver.²² Partly as a result of the Ming dynasty's ban on domestic silver mining, the increasing demand for silver in China could not be met by domestic supplies. As a result, Chinese merchants turned to foreign sources and exported increasing quantities of domestically produced goods. This in turn stimulated the development of export production, especially in the ceramic and textile producing regions of southern China.

The increasing demand for silver in China and the accompanying increase in Ming era foreign trade had a tremendous impact on the surrounding economies of Asia. Like China, the larger commercial zone of Southeast Asia saw substantial economic development beginning in the early fifteenth-century. As Anthony Reid has demonstrated, "the entire period 1400-1630 was one of rapid monetization and commercialization of the [Southeast Asian] economy." As a result, increasing segments of the region's population became involved in long-distance trade circuits as both producers and consumers of goods.²³ The Indian subcontinent and the wider regional economy of the Indian Ocean was also witnessing an intensification of commercial

²¹ See Richard Von Glahn, *Fountain of Fortune: Money and Monetary Policy in China 1000-1700*.

²² "As a means of earning the necessary amount to pay taxes, farmers began to engage in the production of cash crops or handicraft goods...In terms of the time and labor spent...silk offered a much higher return than field crops. Furthermore, the low capital, high-labor type of investment involved in household sericulture made it easy for the ordinary farming family to engage in such work." Shih Min-Hsiung, *The Silk Industry in Ch'ing China* (Ann Arbor, MI: Center For Chinese Studies University of Michigan, 1976), 4-5.

²³ "The pattern of exchange in this age of commerce was for Southeast Asia to import cloth from India, silver from the Americas and Japan and copper-cash, silk, ceramics, and other manufactures from China, in exchange for its exports of pepper, spices, aromatic woods, resins, lacquer, tortoise shell, pearls, deerskins, and the sugar exported by Vietnam and Cambodia." Anthony Reid, *Southeast Asia in the Age of Commerce 1450-1680, Vol. 2* (New Haven: Yale University Press, 1993), 129.

activity, expansion of long-distance trade, and an increasing focus on production for the export market during this period.²⁴ These developments helped to meet and were partly driven by the growing demand for silver in China and the subsequent increase in the velocity and supply of silver along global trade routes.²⁵

The high demand for silver in China has led historians to regard the country as a “seemingly bottomless silver sink” during the early modern period.²⁶ The main sources of the silver flowing into the Chinese sink throughout the sixteenth-century were Japan and the colonies of New Spain and Peru. While almost the entirety of Japanese production found its way directly to China, American silver, before the opening of the Manila Galleon trade route, followed a more indirect path. With the discovery of the vast silver deposits of Peru, namely the mountain of Potosí, along with the significant reserves of New Spain in the mid 1500s, tremendous amounts of silver began to flow across the Atlantic and into Europe.²⁷ Until the 1580s when transpacific trade began to take off, the majority of New World production ended up in Europe. Once in the hands of European merchants, an estimated thirty to forty percent of this total was shipped annually to Asia in exchange for spices, textiles, ceramics, and other wares.²⁸ Spain’s conquest and the subsequent development of New World resources thus helped to feed the demand for silver in China and the demand for Asian imports in Europe.

²⁴ K.N. Chaudhuri, *Trade and Civilisation in the Indian Ocean* (New York: Cambridge University Press, 1985), 209.

²⁵ “The increase of [Southeast Asian] production for the world market would not have been possible without a great increase in the money supply.” Anthony Reid, *Southeast Asia in the Age of Commerce 1450-1680*, Vol. 2, 93. “India had a massive balance of trade surplus with Europe and some with West Asia [as a result] India received massive amounts of silver and some gold from the West...Since India produced little silver of its own, it used the imported silver mostly for coinage or re-export...India seems to have had a balance of trade deficit with Southeast Asia, or at least India re-exported silver there, especially to China.” Gunder Frank, *ReOrient*, 87-88.

²⁶ Dennis Flynn and Arturo Giráldez, “Born with a Silver Spoon,” 206.

²⁷ An estimated 150,000 tons of silver was mined in Latin America between 1500 and 1800. This figure, which has been called conservative, constitutes over 80 percent of world production for the period in question. The majority of this total was exported to Europe. Dennis Flynn and Arturo Giráldez, “Born with a Silver Spoon,” 202.

²⁸ Gunder Frank, *ReOrient*, 143-144.

While the increase in global silver flows helped to drive economic expansion in Asia and the early modern trading world in general, the development of silver mining in New Spain and Peru caused commercial developments in the Spanish colonies of the New World to trend upwards throughout the second half of the sixteenth-century. Silver output was already substantial in the 1560s, amounting to over fifty million pesos a year, but production was set to increase dramatically following the introduction of the mercury amalgamation process in Potosí in the early 1570s. By the opening of the seventeenth-century, silver production would amount to 120 million pesos annually before entering a temporary phase of decline in the first half of the seventeenth-century. The rapid expansion of the mining industry helped to further the development of colonial economies, placing demands on local agriculture and artisan trades to supply the growing size and number of mining centers.²⁹

As mining grew, so did Spanish American cities. Along with widespread economic development, the process of urbanization in the New World was also increasing during the second half of the sixteenth-century. In New Spain alone, the number of *vecinos*, or city-dwelling male heads of households, rose from 11,000 to 36,000 between 1580 and 1630. As Louisa Schell Hoberman puts it, urbanization, coupled with commercial expansion, resulted in the emergence of “a more sophisticated consuming public [that demanded] hitherto unknown or unavailable products, provided by merchants.”³⁰ While consumers demanded larger supplies of goods, the mining and agricultural industries also required increasing quantities of raw iron, metal tools, and mercury. The demand for manufactures, luxury wares, and supplies of iron and mercury in the already undersupplied markets of the Americas was therefore increasing at the same moment that direct trade with Asia became possible.

The increasing demand for foreign imports, be they supplies of iron and mercury or

²⁹ Stanley J Stein and Barbara Stein, *Essays on Economic Dependence in Perspective*, (Oxford: Oxford University Press, 1970), 29.

³⁰ Louisa Hoberman, *Mexico's Merchant Elite, 1590 - 1660* (Durham, NC: Duke University Press, 1991), 7.

textiles and household wares, is most evident in the booming mining centers of the late 1500s. At this time, Potosí, Zacatecas and other smaller mining centers were highly commercial and monetized urban economies that were dependent on regional and long- distance trade for a majority of their material needs. While the buying power of social, political, and economic elites in such urban mining centers was substantial, they do not represent the only consumers in such markets. As Jane Mangan has shown for sixteenth-century Potosí, the increase in the number of indigenous workers receiving cash wages for mine labor and the wide circulation of unminted silver allowed laborers to become regular consumers of imported goods as well.³¹ Supplying the needs of Potosí's consumers was not restricted to Spanish merchants who possessed ties to regional or overseas trade centers. By the late 1500s, indigenous, free black, and Creole women had emerged as prominent urban merchants who purchased supplies of goods outside of Potosí only to resell them at a considerable profit in the city.³² While further research is needed, the inner dynamics of most Spanish American urban economies centered on silver and gold mining likely resembled that of Potosí.

Other urban markets such as Lima, Quito, Puebla, and Mexico City were also, to varying degrees, dependent on imported manufactures, although few could match the notorious levels of conspicuous consumption found in mining towns. Nevertheless, there were substantial commercial profits to be had for those with the means and abilities import and distribute material goods to these growing and sometimes remote urban centers. Sixteenth-century Quito represented one such urban economy that was relatively isolated within the Andean highlands of South America yet found its markets regularly stocked with European and by the late 1500s, Asian imports. As Kris Lane discovered in his study of sixteenth-century Quito, “merchants large and small and of European, indigenous, or mixed heritage had...transformed [Quito] into a

³¹ Jane Mangan, *Trading Roles: Gender, Ethnicity, and the Urban Economy in Colonial Potosi* (Durham, NC: Duke University Press, 2005), 43, 35, 52.

³² Jane Mangan, *Trading Roles: Gender, Ethnicity, and the Urban Economy in Colonial Potosi*, 43, 35, 52.

consumer's paradise" by the 1590s and catered to "discriminating consumers of various ethnicities."³³

While colonial demand for imports was undoubtedly substantial, gauging the size and consuming capacity of New World markets is difficult. Most estimates place Spanish America's European population circa 1600 at 200,000, with these individuals being the most likely consumers of imported goods. Textiles, porcelain, jewelry, furniture, foodstuffs and other goods would have been heavily desired by colonists of European ancestry as indicators of social status. Anyone aspiring to higher social standing would have also utilized Asian imports as a means of distancing themselves from the lower classes. Not all such aspirants were Europeans. An estimated five to ten percent of the Indian population, the Native American elite, were also regular consumers.³⁴ In New Spain and Peru, the total Indian population circa 1570 is estimated to have been around three million. By the first decades of the 1600s, this number had fallen to approximately two million, a development that undoubtedly reduced the number and purchasing power of the Indian elite.³⁵ Nonetheless, they would have remained avid consumers of imported goods. Observations by merchants and colonial officials in the late 1500s also indicate that some imports, especially textiles, were consumed regularly by European, Creole and indigenous laborers. Ultimately, however, a more complete understanding of sixteenth-century colonial markets and patterns of consumption awaits further archival research.

The establishment of the Manila Galleon trade network in the 1570s thus provided a link between the complementary demand for silver in China and imported commodities in Spanish America. As a result, the value of transpacific trade expanded rapidly over the last third

³³ Kris Lane, *Quito 1599: City and Colony in Transition* (Albuquerque, NM: University of New Mexico Press, 2002), 57, 174.

³⁴ "Almost from the first, [Indian elites] consciously sought to widen the gape between themselves and the Indian mass by adopting Spanish culture...and seeking to conform to the Spanish image of a gentlemen and hidalgo." J.I. Israel, *Race, Class, and Politics in Colonial Mexico* (Oxford: Oxford University Press, 1975), 44.

³⁵ Peter Bakewell, *A History of Latin America, 2nd Edition* (Malden, MA: Wiley-Blackwell, 1997), 160-163.

of the sixteenth-century. Exact figures are lacking, but by the end of the sixteenth-century, somewhere between 700,000 to two million pesos' worth of New World silver flowed annually through Manila on its way to Asian markets. Spanish America's trade with Asia was, therefore, comparable if not equal to Europe's commerce with the East by the late 1500s.

In terms of silver flows, the Manila Galleon was far from a commercial sideshow of the early modern global economy. Undoubtedly, the high price of silver in China, as much as twice the going rate in Europe, played an important role in the growth of transpacific trade throughout the last decades of the sixteenth-century. It was, however, not the only factor. Economic expansion throughout Spanish America was also at this time increasing the demand and consuming capacity of colonial markets for imported textiles, household goods, spices, and other commodities that could not be produced within the Americas. While colonial consumers had access to European imports via Spanish transatlantic trade, Sevillean merchants actively sought to limit the supply of such goods in colonial markets in order to increase profit margins. The opening of transpacific trade thus helped to meet the increasing and chronically unmet demand for imports by colonial consumers throughout Spanish America. Therefore, it was the complementary demand for silver in China and imported commodities in Spanish America that drove the rapid development of the Manila Galleon trade network in late sixteenth century.

The Structure of Sixteenth Century Spanish Atlantic Trade

In order to understand fully how the demand for Asian imports by colonial consumers⁴ in Spanish America helped to drive the expansion of transpacific commerce it is necessary to understand the structure of sixteenth century Spanish Atlantic trade. Columbus' maiden voyage in 1492 and Spain's conquest of large sections of Central and South America in the proceeding decades, connected these regions with global trade routes linking Europe, Africa, and Asia.

Having established control over millions of indigenous peoples and their imperial states, the Crown was highly protective of its newly won empire in the Americas. As a result, an increasingly elaborate imperial structure was developed throughout the sixteenth-century to prevent rival European merchants from gaining access to colonial markets and the increasing quantities of precious metals being mined throughout the Americas. While it is tempting to label such an approach as mercantilist, Spanish officials did not possess or draw from a predesigned commercial playbook in the sixteenth century. Rather than instituting a set of clearly defined and articulated trade regulations, Spanish imperial policy towards its American colonies was a reaction to economic and political developments taking place on the ground. As Clarence Haring argued in a pioneering study, it was haphazard at best, driven by “blind opportunism” on the part of the Crown and the Spanish merchant community.³⁶

The “blind opportunism” of the Crown towards its colonial territories was shaped and in part driven by several political and social factors. Unlike most territories falling within the Spanish Crown’s sphere of imperial control in the sixteenth-century, the colonies of the New World were considered to be the personal possessions of the monarch. In comparison, Iberian kingdoms such as Aragon and cities such as Barcelona retained a considerable degree of control over their internal governance despite pledging allegiance to the Spanish king. This political situation greatly restrained the authority of the Crown on the Peninsula, making it difficult to raise taxes or force economic concessions. As a result, the financial burden of empire fell largely on the shoulders of Castilians and the silver-rich colonies of the New World throughout the second half of the sixteenth century. Together with the prevailing commercial and economic milieu of early modern Spain which stressed the acquisition of steady, reliable income streams over commercial risk taking, the Crown’s direct control of its New World colonies led it to adopt a commercially conservative, rent-seeking approach to colonial trade.

³⁶ C.H. Haring, *Trade and Navigation*, 129.

The overwhelming importance placed on securing a steady and reliable stream of income from the New World is clearly demonstrated by the Crown's stance on colonial development and the establishment of the Sevillean Consulado in 1543. On the one hand, the development of colonial economies was closely controlled, an approach that Haring described as being "excessively paternalistic."³⁷ This paternalistic attitude entailed an active encouragement of colonial economic development so long as it did not conflict with existing industries in Spain. Silver mining, for example, along with sugar, cacao, and cochineal production, were all New World industries that received the blessing of the Crown. Peruvian olive oil and wine production, on the other hand, faced prohibition due to the fear of competition with Spanish imports. That its colonies should develop and prosper was never questioned by the Crown; they should do so, however, in complement to the (favored) Spanish economy.

By the last third of the sixteenth-century, the New World mining industry emerged as a proverbial cash cow for both the king and the Consulado. Like the colonies themselves, American silver reserves fell under the personal control of Philip II. Rather than exploit them through government-run mines, the Crown allowed private Spanish colonists to incur the commercial risks and substantial start-up costs that mining entailed. All extracted silver was, however, subject to royal taxes levied at both New World mints or smeltery houses and Atlantic ports. The main royal tax, known as the *quinto real*, was set at a fifth of total production, but in many places this rate was lowered to a tenth or less in order to stimulate the expansion of mining. Increasing the volume of American silver and gold production remained a prime objective for the Crown throughout the early modern period. Doing so increased royal tax revenue and annual remittances to Spain. It also helped to expand colonial consumption of European imports delivered by the Consulado.

³⁷ C.H. Haring, *Trade and Navigation*, 123.

Along with the *quinto real*, the *almojarifazgo* was another major source of crown revenue from the Indies. The *almojarifazgo* constituted a customs duty collected at both Seville and Atlantic ports in the Americas. In Spain, a five percent duty was levied on both imports and exports while in the Indies, imported goods were taxed at ten percent and exports two and a half.³⁸ That New World exports were taxed at a much lower rate indicates that the Crown was sincere in fostering the development of colonial economies. Again, however, Charles V and Philip II were highly selective in terms of what colonial industries to encourage and what sectors of the sixteenth-century colonial economy to support with royal financing and the granting of commercial privileges.

This active management of colonial economic development was driven in part by the need to safeguard the commercial interests of the Consulado. Composed of powerful Sevillean merchants who lent money to the Crown, the Consulado was granted the authority to manage all commerce between Spain and its colonial dependencies in the New World. This trade monopoly allowed Sevillean merchants to control the supply of certain goods circulating within the colonial economy. In return for this privilege, they regularly loaned impressive sums of money to the Crown. In practice, the commercial policies of the Consulado actively sought to limit the volume of European imports in the Americas, thereby driving up the price of these goods. As Clarence Haring put it, these monopolistic practices resulted in colonial markets being “kept chronically understocked [with the Consulado constituting] a perpetual coalition for the exploitation of the [colonial] public, and in restraint of trade.”³⁹ In effect, Sevillean merchants sought to maintain artificial market conditions throughout the Indies in order to insure high profit margins from transatlantic trade. In 1567 Fray Tomás Mercado noted that as a result, “a *vara* [about 33 bolt

³⁸ Lyle N. McAlister, *Spain and Portugal in the New World, 1492-1700* (Minneapolis, MN: University of Minnesota Press, 1984), 243.

³⁹ C.H. Haring, *Trade and Navigation*, 137.

inches] of velvet worth 1,000 maravedís in Seville would cost 2,000 maravedís in the Indies.”⁴⁰

While highly advantageous to the profits of the Sevillean merchant community and royal tax receipts from the *almojarifazgo*, this practice also helped to ensure high remittances of private silver to Spain. As a consequence of the Consulado’s price fixing, however, colonial merchant and consumer demand for imported goods was left largely unfulfilled.

The Crown’s rent-seeking approach towards its New World colonies had a profound impact on the structure of Atlantic trade. At first, commerce with the Americas stimulated the Spanish economy. Colonial demand for foodstuffs led to an expansion of Iberian agriculture and the need for iron tools, steel weapons, leather goods and textiles drove the expansion of urban production. By the mid 1500s, however, colonial development and political consolidation had produced an increase in agriculture and animal husbandry in the Americas. The demand for Spanish foodstuffs fell off while the need for manufactures and luxury goods increased beyond the productive capacity of Spanish artisans. Unable to procure the necessary goods from Spain alone, the merchants of Seville began to turn increasingly to the wider economy of Europe to acquire the wares needed to load ships bound for the New World.⁴¹ Thus, despite their near monopoly of transatlantic trade, the Sevillean Consulado was, by the late 1500s, evolving into a commercial middleman, facilitating commerce between the larger economy of Europe and the specie-rich markets of the Americas.⁴²

While the Consulado’s monopoly over colonial markets was never perfect, Seville was able to dominate sixteenth and early seventeenth-century trade with Spanish America in all but one commodity; African slaves. The inability of Spain to successfully challenge Portuguese control of the African slave trade in the sixteenth-century forced the Crown of Castile to revert

⁴⁰ Quoted in Lyle N. McAlister, *Spain and Portugal in the New World*, 245.

⁴¹ J.H. Parry, *The Spanish Seaborne Empire* (New York: Knopf, 1966), 114. John Fisher, *The Economic Aspects of Spanish Imperialism, 1492-1810* (Liverpool: Liverpool University Press, 1997), 37-42.

⁴² Stanley J Stein and Barbara Stein, *The Colonial Heritage of Latin America: Essays on Economic Dependence in Perspective* (Oxford: Oxford University Press, 1970). O.H.K. Spate, *The Spanish Lake*, 206.

to issuing licenses to Portuguese traders. These licenses granted their owner permission to import merchandise to Spanish America. In exchange for this privilege, individual traders were required to deliver African slaves to designated colonial markets. Official licenses were not valued primarily for the right to trade in slaves, however, as substantially larger profits could be realized by importing European wares to colonial markets.

For the period being examined here, 1571-1604, Portuguese importation of African slaves and other commodities to Spanish America remained limited. In the early 1500s, the total volume of the Spanish Atlantic slave trade was relatively small, amounting to some 500 individuals a year between 1521 and 1550. After mid-century, the total rose modestly to an average of 800 slaves for the period 1551 to 1595. By the opening of the seventeenth-century the inflow of slaves to Spanish America had increased dramatically and averaged over 2800 annually from 1600 to 1645.⁴³ The steady growth of the trade during this period was due in part to an increase on the supply side by both Portuguese and African merchants. Demand in Spanish America, however, also played a key role. Colonial economic expansion led by the mining and agricultural sectors demanded an increasing number of laborers. While indigenous workers provided the majority of labor, their numbers steady declined throughout the 1500s. By the first decades of the seventeenth-century, indigenous population levels hit a low point in both New Spain and Peru before stabilizing and recovering slowly after 1650. As the substantial growth in slave imports after 1595 indicates, the decline of the indigenous work force caused an increasing turn to imported slave labor throughout the Americas. This in turn allowed Portuguese traders to expand their importation of other commodities and challenge the Consulado's dominance of colonial markets.

⁴³ Philip D. Curtin, *The Atlantic Slave Trade: A Consensus* (Madison, Wisconsin: The University of Wisconsin Press, 1969), 25.

Together, the Crown's stance on colonial industries and the Consulado's trade policies stressed the preservation of large, annual silver remittances to Spain and high, immediate profits for Sevillean merchants. Although significant, silver remittances from the Americas never constituted a majority of Crown revenue. On average, they amounted to some twenty percent of royal income each year. The ability to pay interest on existing loans and receive new infusions of cash from both Sevillean and European bankers, however, depended heavily on the annual arrival of Atlantic treasure fleets.

From the beginning of his reign, Philip II was dependent on deficit financing to cover the ever-increasing military expenditures required to defend his scattered imperial domains. To maintain both naval and land defenses, the Crown resorted to the *asiento* and the *juro de resguardo*. The *asiento* constituted a short-term loan that was backed by a specified revenue stream such as the *quinto real*. The Crown negotiated individual *asientos* with various European bankers and powerful merchant houses in Seville and pledged to repay each in full on a specified date. Generally, these loans accumulated interest at an annual rate of ten to fourteen percent. When the Crown failed to repay a mature *asiento*, the holder was guaranteed an additional ten percent of the loan's value. The *juro de resguardo* on the other hand, was a long-term bond with an interest rate of between five and ten percent.⁴⁴

By the last third of the sixteenth-century, Philip II's mounting military expenditures in Europe necessitated the pledge of his entire share of New World silver as collateral to European bankers. As a result, the merchants of Seville and, beginning in the 1550s, Genoese bankers were in reality the principle recipients of the Spanish Crown's share of American treasure. The heavy reliance on the *asiento* to cover imperial expenses, however, forced Philip II to declare *medios generales* in 1557, 1575, and 1596. Each was essentially a declaration of bankruptcy and "involved

⁴⁴ Lyle N. McAlister, *Spain and Portugal in the New World*, 297-298.

a repudiation of outstanding *asientos* and compensation of holders with *jurors* at lower interest rates.”⁴⁵

Together, Philip II’s reliance on monetary loans backed by New World revenue streams and the Consulado’s increasing dependence on European imports meant that preserving Seville’s control over colonial markets was vital to insuring the financial well being of the Spanish monarchy. This trade monopoly not only provided high commercial profits for the Consulado’s members, it allowed them to loan impressive sums of money to the king and guaranteed a steady stream of silver remittances from the New World. For the Crown, a decrease in either the flow of silver to Spain or the commercial profits of Sevillean merchants would have reduced its ability to service existing debt or contract for further loans. In short, a failure to safeguard the Consulado’s monopoly would have forced the Crown to confront the potential of financial insolvency and with it the collapse of its imperial designs throughout continental Europe.

The Structure of Early Colonial Trade

“It seems to me that one of the good and most important businesses in this land [the New World] is merchandise, for in that are the true mines, beyond what one can believe...The profit is so sure and so large that a well stocked shop here is the richest thing in the world, alchemy itself.” – Juan Peláez de Berrio, *alcalde mayor* of Oaxaca, 1529 ⁴⁶

By the mid sixteenth-century, the Consulado and Casa de la Contratación (House of Trade) had together created a sophisticated commercial network and flotilla system designed to transport goods across the Atlantic and ferry safely back to Spain the majority of the New

⁴⁵ Lyle N. McAlister, *Spain and Portugal in the New World*, 298.

⁴⁶ Quoted in Peter Bakewell, *A History of Latin America to 1825, Third Edition*, 253-254.

World's gold and silver bullion production. However, this transatlantic trade network terminated at only a handful of ports along the coastline of the Americas. Once imported merchandise from Seville arrived in the New World it had to be transported to regional markets located throughout the interior and along the Pacific coastline of the Americas. As a result, a small but significant overland and Pacific commercial network developed in tandem with Atlantic trade to circulate European imports, locally produced goods, and precious metals between the regional markets of New Spain, Panama, and Peru.

While there existed several Atlantic ports in the mid 1500s where Spanish galleons frequently unloaded European imports, the majority of traffic was funneled through Veracruz and Nombre de Dios. Veracruz constituted the principal port of New Spain and was connected directly to Mexico City, Puebla, and other urban centers of central Mexico. Supplying the colony of Peru however, proved to be a far more difficult endeavor. Nombre de Dios, replaced in 1597 by Portobelo, was the main commercial port along the Isthmus of Panama's Atlantic coast. Here, goods were unloaded and transported across the Isthmus to Panama City by a combination of oar driven boats, Indian laborers, African slaves, and draft animals. Although the distance was relatively short, it was a long and difficult journey involving sixty miles of movement along the coastline, weeks' worth of travel against the current of the Rio de Chagres, and a fifteen-mile hike through dense tropical forests. The Florentine merchant Francesco Carletti described his experience of the crossing in 1594 as being "so bad that nothing worse can ever be imagined."⁴⁷ After reaching Panama City, goods destined for Peru were loaded onto ships for another long and difficult journey southward. By the time Europeans imports actually reached El Callao, the principal port of not only Lima but the entire Pacific coast of South America, their prices in

⁴⁷ Francesco Carletti, *My Voyage Around the World*, trans. Herbert Weinstock (New York: Pantheon Books, 1964), 29.

comparison to those of New Spain had increased substantially due primarily to the difficulties involved in shipping.⁴⁸

The immense difficulty of supplying Peruvian markets from Seville led, beginning in the 1530s, to direct trade between the southern viceroyalty and New Spain. At first, commerce between the two colonies amounted to a handful of shipments a year with cargoes originating from Mexico consisting of locally produced foodstuffs and imported merchandise from Spain. However, following the establishment of civil order in Peru and the discovery of Potosí's enormous silver deposits in 1545, the market for textiles and other merchandise began to expand. Despite the newfound wealth of the colony, local production remained inadequate to meet this growing demand for manufactures. New Spain, with its direct connection to Seville and its small but growing domestic textile and artisan production thus found itself by the mid 1500s ideally positioned to supply Peruvian markets.

By 1560, the exchange of Peruvian silver for Mexican and Spanish imports had become the basis of a commercial relationship that would remain largely unchanged for the next century. Merchandise exported southward from New Spain included Spanish and Mexican textiles, silk thread, blankets, leather goods, dyes, furniture, dishes, cups, various toiletry items, metal tools, jewelry, devotional objects, books, and a host of other wares.⁴⁹ The majority of these goods were exchanged for silver, although, small amounts of agricultural goods such as olive oil and wine were also shipped northward. Commercial traffic between the two viceroyalties remained limited, however, amounting to perhaps 120,000 to 200,000 pesos a year by the 1560s.⁵⁰ Although details for this period remain scarce and further research on inter-Pacific colonial commerce is required, a small but growing Pacific commercial network was in place prior to the opening of regular trade between the Americas and Asia in 1571.

⁴⁸ Woodrow Borah, *Early Colonial Trade*, 81-82.

⁴⁹ Woodrow Borah, *Early Colonial Trade*, 86-87.

⁵⁰ Woodrow Borah, *Early Colonial Trade*, 94.

The Birth of Transpacific Trade

“Apart from this spur to expansion, there were of course the lure of riches just over the horizon, the lure of fame, the continuing lure of a way to the Orient.” - O.H.K. Spate

As outlined above, Spanish colonization of the New World and the subsequent development of transatlantic and inter-colonial commerce helped to enhance the financial well-being of the Spanish king and deliver substantial commercial profits to the Consulado. The rent-seeking approach towards colonial trade and development also ensured that once discovered, the immense silver reserves of the New World were quickly exploited and the overwhelming majority of production funneled directly to Europe. While clearly beneficial to the short-term finances of both the Crown and Spanish merchants, the rapid growth of the New World mining industry allowed European merchants, namely the Portuguese, to expand trade with Asia and insert themselves into lucrative inter-Asian trade circuits.⁵¹ In doing so, the velocity and volume of silver circulating along global trade routes increased, furthering commercial expansion in Asia and helping to feed the region’s demand for silver. The predominant eastward flow of silver from the Americas to Europe and then Asia would soon be challenged, however, as Spanish explorers and colonizers covetously eyed the success of their Portuguese rivals in East Asia.

Despite the distraction that the conquest and establishment of New World colonies posed to the Crown during the first half of the sixteenth-century, the desire to reach Asia by sailing west remained. Although Magellan had discovered the Philippines in 1521, the first attempt to establish a permanent Spanish settlement in the archipelago had failed. Nonetheless,

⁵¹ See James C. Boyajian, *Portuguese Trade in Asia under the Habsburgs, 1580-1640* (Baltimore, MA: The Johns Hopkins University Press, 1993).

Philip II remained committed to extending Spain's empire across the Pacific, spreading the Catholic faith, and pursuing direct access to Asian markets. In 1564 the King ordered Miguel López de Legaspi to set sail from New Spain bound for the Philippines. On reaching his destination he was to make a reconnaissance of the islands and establish there a permanent Spanish settlement. On the return journey, the king instructed him "to bring [back] some spice, in order to make an essay of that traffic [and] as much treasure as possible."⁵² Reaching the Philippines in April of 1565, Legaspi established a settlement on the island of Cebú and from there continued to survey the archipelago. Two months later he dispatched a ship to New Spain with a letter informing Philip II that the newly founded Spanish outpost stood "at the gate and in the vicinity of the most fortunate countries of the world."⁵³

As of June 1565, no European vessels had crossed the Pacific from the Americas to Asia and back again. The ship dispatched by Legaspi was therefore tasked with not only relaying the news of Spain's newly acquired colony but also discovering an eastward passage from Asia to the Americas. Guided by Andrés de Urdaneta, the *San Pedro* left the Philippines in a northeasterly direction and traveled as far north as Japan before heading east at a latitude of 38 degrees north. Urdaneta believed that by sailing north from the Philippines he could pick up the northern trade winds of the Pacific and use them to ferry the *San Pedro* back to the Americas. Although Urdaneta's hunch proved to be correct, the eastward crossing of the Northern Pacific was anything but a straight shot and for over a month and a half the *San Pedro* ranged between 40 and 30 degrees north before spotting North America in mid- September. From Cape Mendocino, the vessel followed the North American coastline down to Acapulco, arriving on the 8th of October after a voyage of 130 days and over 12,000 miles.

⁵² William Schurz, *The Manila Galleon*, 22.

⁵³ Emma Blair and James Robertson, *The Philippine Islands 1493 - 1898, Volume II*, 226, 214.

The *San Pedro's* easterly course across the Pacific quickly became known as 'Urdaneta's Route' but it was by no means an easy voyage. Pacific trade winds proved difficult to master; timing was of the essence, and most trips took an average of six to eight months. Supplies of food and water often ran dangerously low. Despite the inherent dangers of 'Urdaneta's Route', it quickly became the standard course for Manila Galleons making their return trip to the Americas. Sailing from New Spain to Asia was in contrast a much easier and quicker endeavor with voyages lasting an average of two months. Ships leaving Acapulco sailed to the southwest and after reaching 10 degrees north, where the west trade winds could be picked up, made a more or less straight shot across the Pacific to the Philippines.

While the successful colonization of the Philippines and eastward crossing of the Pacific laid the foundation for trade between Asia and the Americas, the late 1560s saw little in the way of profitable, much less substantial, transpacific commerce. At first it was thought that the islands could be transformed into a major producer of cinnamon, but Legaspi abandoned this idea by 1568. He reported to Philip II that he doubted the settlement could "be sustained by way of [that] trade" and a year later remarked, "the Philippines ought to be considered of little importance."⁵⁴ Juan Pablo Carrion, Legaspi's admiral, also doubted that the colony would prove profitable unless trade was "opened with China and the rest of the Indies."⁵⁵ At the time, the Philippines could scarcely be considered a major center of trade in Southeast Asian nor were the islands overtly rich in spices or other exportable commodities. Native Filipinos, however, had a long history of regular trade with Chinese and other Asian merchants. Prior to the arrival of the Spanish, Chinese ceramics, Thai porcelain, decorative beads, and copper gongs and pots among other items had been imported to the Philippines in exchange for cotton, gold, wax, honey, and other foodstuffs for centuries. Thus, with the establishment of a permanent settlement in the

⁵⁴ Blair and Robertson, *Vol. II*, "Letters to Felipe II of Spain," 241. William Schurz, *The Manila Galleon*, 23.

⁵⁵ William Schurz, *The Manila Galleon*, 45.

Philippines, the Spanish successfully inserted themselves into Southeast Asian trade circuits that, while already undergoing economic expansion, were about to enter a much more rapid period of development.⁵⁶

Despite the fact that Legaspi was quick to dismiss the value of Spain's newest colonial settlement, such a view hardly seems to have been shared by colonial merchants in Spanish America who made their livelihood dealing in overseas imports. In a letter forwarded from Seville to Miguel Salvador of Valencia and published as a pamphlet in 1566, an unknown author related the news of Legaspi's expedition and Urdaneta's return. In reference to the colonization of the Philippines and the successful eastward crossing of the Pacific he states, "this is a great and very important achievement; and the people of Mexico are very proud of their discovery, which they think will make them the center of the world."⁵⁷ It is doubtful that individuals in Spain took seriously the idea that Mexico could become the "center of the world". The fact that some individuals in the Americas perceived such a development as possible, however, suggests merchants, at least, saw something momentous in the opening of transpacific trade. It was true that Urdaneta had returned to Acapulco with only meager amounts of spices, gold, wax and other articles, which together hardly made for an impressive cargo. Yet the contents of the *San Pedro* mattered little in comparison to the voyage itself. Urdaneta had not simply left the Americas and sailed to Asia and back, he had expanded the limits of what was possible in the minds of the colonial merchant community. The chronically under-supplied and increasingly silver-rich markets of the Americas were now directly linked to "the most fortunate countries of the world".

⁵⁶ "The entire period 1400-1630 was one of rapid monetization and commercialization of the economy, with the most rapid expansion in the period 1570-1630." Anthony Reid, *Southeast Asia in the Age of Commerce Vol. 2*, 129.

⁵⁷ Blair and Robertson, *Vol. II*, "Copy of a Letter Sent from Sevilla To Miguel Salvador of Valencia," 226.

Early Commercial Expansion: 1571 – 1586

During the first half-decade of Spanish presence in the Philippines, Legaspi and his fellow colonizers were under constant threat of attack from the Portuguese, who sought to prevent them from gaining a foothold in Asian commerce. Defense therefore remained the priority, but assessing the possibilities for trade with neighboring Asian states, principally China, was also a goal during the first years of settlement. In a 1565 letter to the Audiencia of Mexico, officials in the Philippines asked that large quantities of foodstuffs and military supplies be sent immediately. Along with these goods, a substantial number of articles for use in trade, including “coins and small bars of fine silver for trade with China” were also requested⁵⁸ Spanish knowledge of Asian commerce remained limited at this time. By 1569, however, it was known that the Portuguese “were trading and bargaining on the coast of China and Japan; and that it was a business by which they were maintaining themselves, since it was the most extensive and advantageous trade that has been hitherto seen in any place where trade has been carried on.”⁵⁹ The ability of the Spanish to exploit such an advantageous trade for their own benefit would not begin until the conquest of Luzon and the establishment of Manila as the new seat of government in 1571. From Manila Bay, the Spanish were able to more easily defend and consolidate their control over the Philippines, protect against Portuguese attack, and develop a closer commercial relationship with Chinese merchants.

Once the Spanish presence in Manila was secure, regular trade with the Chinese quickly developed. By 1573, one Guido de Lavezaris reported to Philip II, “the Chinese have come here [to Manila] on trading expeditions, since our arrival [and]...in greater numbers each year, and with more ships.” Although an increasing number of Chinese merchants were sailing to Manila, they

⁵⁸ Blair and Robertson, *Vol. II*, “Letter from the royal officials of the Filipinas to the Royal Audiencia at Mexico,” 183-195.

⁵⁹ Blair and Robertson, *Vol. II*, “Letter from Andres de Miranda to Felipe II,” 20.

had yet to bring the finer merchandise that they had to offer, indicating to Lavezaris “that, if there were any one to buy them, they would bring all we wanted.” Quickly finding the Spanish to be eager consumers, these traders began to diversify their cargo, bringing “each year better and richer wares.”⁶⁰ According to the government notary Hernando Requel, the Chinese “brought specimens of many kinds of goods peculiar to their country, in order to arrange prices at which they can be sold – such as quicksilver, [gun] powder, pepper, fine cinnamon, cloves, sugar, iron, copper, tin, brass, silks [and] textiles of many kinds...various kinds of crockery...and a thousand of other goods and trifles quite as many as the Flemings bring.”⁶¹ It did not take long for substantial quantities of such goods to arrive in the Americas. In December of 1573, the viceroy of New Spain welcomed a ship from Manila containing “one hundred and thirty-six marcos of gold...jewels...two hundred and eighty quintals of cinnamon [acquired from the island of Mindanao]...silks of different colors (both damasks and satins), clothstuffs, and a lot of cotton mantles...a quantity of wax, glazed earthenware; and other knick-knacks such as fans, parasols, desks, and numberless other little manufactured articles.”⁶² Included in this shipment were 22,000 pieces of Chinese porcelain.⁶³

In the words of Pierre Chaunu, “the extraordinary luck of the Spanish Philippines was to be at the point of contact between two monetary systems, a world of dear silver and a world of cheap silver.”⁶⁴ By the mid 1570s, the basic structure of transpacific trade was in place. Manila was the main commercial center of the Philippines and the principal link between the economies of Asia and the Americas. Over a dozen junks sailed annually from Fujian province in southern China to Manila, leading to an increase in the size of the Chinese community residing in the

⁶⁰ Blair and Robertson, *Vol. III*, “Affairs in the Philippines After the Death of Legazpi,” 160.

⁶¹ Blair and Robertson, *Vol. III*, “News from the Western Islands by Hernando Riquel and Others,” 219.

⁶² Blair and Robertson, *Vol. III*, “Letter from the Viceroy of New Spain to Felipe II,” 192.

⁶³ Luke Clossey, “Merchants, Migrants, Missionaries, and Globalization in the Early-Modern Pacific,” *Journal of Global History* 1 (2006): 42.

⁶⁴ Pierre Chaunu, *Les Philippines et le Pacifique des Ibériques*, 458, quoted in O.H.K. Spate, *The Pacific Since Magellan*, 161.

Spanish colonial capital. As a result, the markets of Manila were reportedly well stocked, with buyers able to find “everything in the same abundance as in España.” Not only was the variety of goods available in the Philippines equal to that of Europe but, because of the high value of silver in China, “the prices of everything [the Chinese bring is] so moderate, that they are to be had almost for nothing.”⁶⁵ While the exact quantity and type of goods imported from Asia to the New World throughout the late sixteenth century is unknown, Antonio de Morga provided a substantial list of wares available for purchase in Spanish Manila in his 1609 *History of the Philippine Islands*.⁶⁶

The merchandise that they [the Chinese] generally bring and sell to the Spaniards consists of raw silk in bundles, of the fineness of two strands [*dos cabeças*], and other silk of poorer quality; fine untwisted silk, white and of all colors, wound in small skeins; quantities of velvets, some plain, and some embroidered in all sorts of figures, colors, and fashions—others with body of gold, and embroidered with gold; woven stuffs and brocades, of gold and silver upon silk of various colors and patterns; quantities of gold and silver thread in skeins over thread and silk. . . . damasks, satins, taffetans, *gorvaranes*, *picotes*, and other cloths of all colors, some finer and better than others; . . . and white cotton cloth of different kinds and qualities, for all uses. They also bring musk, benzoin, and ivory; many bed ornaments, hangings, coverlets, and tapestries of embroidered velvet; damask and gorvaran of different shades; tablecloths, cushions, and carpets; horse-trappings of the same stuff, and embroidered with glass beads and seed-pearls; also some pearls and rubies, sapphires and crystal-stones; metal basins, copper kettles, and other copper and cast-iron pots;

⁶⁵ Blair and Robertson, *Vol. III*, 272.

quantities of all sorts of nails, sheet-iron, tin and lead; saltpetre and gunpowder. They supply the Spaniards with wheat flour; preserves made of orange, peach, *scorzonera*, pear, nutmeg, and ginger, and other fruits of China; salt pork and other salt meats; live fowls of good breed, and very fine capons; quantities of green fruit, oranges of all kinds; excellent chestnuts, walnuts, pears, and *chicueyes* (both green and dried, a delicious fruit); quantities of fine thread of all kinds, needles, and knick-knacks; little boxes and writing-cases; beds, tables, chairs, and gilded benches, painted in many figures and patterns....The Chinese furnish numberless other gewgaws and ornaments of little value and worth, which are esteemed among the Spaniards; besides a quantity of fine crockery of all kinds; *canganes*, *sines*, and black and blue robes; *tacley*, which are beads of all kinds; strings of cornelians, and other beads and precious stones of all colors; pepper and other spices; and rarities—which, did I refer to them all, I would never finish, nor have sufficient paper for it.⁶⁷

The variety of merchandise available for purchase and advantageous commercial climate of the Philippines during the 1570s prompted some colonial officials to advocate for an increase in the number of ships available for use in transpacific trade and an expansion of Spanish commerce throughout Southeast Asia. From Manila, Governor Gonzalo Ronquillo de Peñalosa requested that Philip II command that ships from New Spain be dispatched with greater frequency and raised the possibility of expanding transpacific trade to Asian ports outside of the Philippines. Ronquillo de Peñalosa advocated specifically for the development of trade between the Island of Maluccas and the Americas. He noted to the king that Manila Galleons ferrying various spices could “touch at Nueva España and leave there the amount necessary for that

⁶⁷ Blair and Robertson, *Vol. 16*, 232-237.

kingdom, and in Panama, what is needed for Piru, the kingdom of Tierra Firme and the new kingdom of Granada.” Not content with supplying colonial markets, Peñalosa pointed out that from Panama Asian spices could easily be re-exported to Spain.⁶⁸

Governor Peñalosa believed that an expansion of transpacific trade would prove extremely beneficial for Spain’s colonies in the New World on account of Spanish Manila’s close “proximity to China [which was] without doubt...the finest country in the world, since it has so many people and so great wealth.”⁶⁹ Acting on this belief, the governor dispatched several ships directly to Panama and Peru in the early 1580s. Permission for limited trade between the Philippines and ports of Peru, Guatemala and Tierra Firme (the Isthmus of Panama) was granted in 1579, leading to the first direct shipment of goods between Manila and Peru two years later.⁷⁰ A second ship loaded with artillery and other merchandise set off for the viceroyalty in 1582, followed in 1583 by a vessel bound directly for Panama that sailed on account of “private individuals.”⁷¹

The opening years of the 1580s thus found transpacific commerce expanding both in value and volume as direct trade between Manila and ports throughout Spanish America was being established. The increasing availability of comparatively lower-priced Asian goods in New Spain led to an expansion in inter-Pacific colonial trade to Peru, where silver production was spiking. Hard data on this commerce is limited but Woodrow Borah estimates that trade amounted to 100,000-120,000 pesos a year in the early 1560s, exceeded 200,000 pesos by the opening of the 1570s, and reached a total of over two million pesos annually in the 1590s.⁷²

⁶⁸ Blair and Robertson, *Vol. IV*, “Letter from Gonzalo Ronquillo de Peñalosa to Felipe II,” 43-45.

⁶⁹ Blair and Robertson, *Vol. V*, “Letter from Peñalosa to Felipe II,” 19.

⁷⁰ William Schurz, “Mexico, Peru, and the Manila Galleon,” 395.

⁷¹ Blair and Robertson, *Vol. V*, “Letter from Peñalosa to Felipe II,” 24.

⁷² Woodrow Borah, *Early Colonial Trade*, 94-95.

Harry E. Cross provides similar figures for the 1590s and estimates that two to three million pesos flowed from Peru to New Spain annually.⁷³

Whatever the overall value of commerce between New Spain and Peru was, colonial merchants were clearly making sizeable profits by re-exporting Asian goods from Acapulco to Lima and other Peruvian markets such as Potosí. One Diego López de Toledo, a small time Peruvian merchant in the 1560s had, by the mid 1580s, acquired his own ship and was making 100,000 pesos a year by importing merchandise from Mexico. Woodrow Borah argues that increasing sums of capital seemed to have been invested in Pacific commerce at this time, an indication that more and more merchants were turning away from the trade in Sevillean imports at Veracruz and Panama City.⁷⁴ Evidently, commercial profits in the Philippines circa 1583 were also healthy enough for Governor Peñalosa to raise duties on both imported and exported goods with little protest from Chinese or Spanish merchants. As indicated above, Peñalosa emerges from the documentary sources as being a key promoter of transpacific commerce during these early years, taking it upon himself to actively develop commercial routes. His zeal for expanding commerce can be clearly seen in a 1583 letter to Philip II when he promised to send further ships to all of “the principal kingdoms held by your Majesty in the Indias and the Southern Sea.”

75

While Peñalosa worked to expand commerce from his post in Manila, other servants of the Crown were beginning to raise alarm over the growing volume of Chinese goods available in colonial markets and the increasing drain of silver to Asia. The Peruvian viceroy Martín Enríquez, who had welcomed the first Manila Galleons to Acapulco a decade earlier, was one early antagonist of transpacific trade. In a 1583 letter to Philip II he voiced alarm over the introduction of lower-priced Chinese goods to Peru. Enríquez specifically feared that the further

⁷³ Harry E. Cross, “South American Bullion Production and Export, 1550-1750,” 412.

⁷⁴ Woodrow Borah, *Early Colonial Trade*, 94-95.

⁷⁵ Blair and Robertson, *Vol. V*, “Letter from Peñalosa to Felipe II,” 24.

importation of Chinese silks would threaten the sale of Spanish textiles. He went on to inform the king that the vessel dispatched by Peñalosa in 1582 had brought to Peru a number of goods including Chinese porcelain, iron, spices, wax, and various textiles. This, Enríquez pointed out, was a clear violation of existing commercial regulation forbidding the direct importation of Asian merchandise to Peru.⁷⁶ Phillip II's *cédula* of 1579, which had permitted direct trade between Manila and American ports outside of Acapulco, had stipulated that only military supplies could be imported directly from Asia. Furthermore, this limited trade concession had been made in light of recent attacks on Spanish colonial ports and shipping lanes by Francis Drake. Its purpose, therefore, was to allow for the armament and fortification of Spain's American colonies rather than to offer a royal blessing for the expansion of commerce between Asia and the New World.

The potential danger to merchant and royal finances that an expansion of transpacific trade posed was not lost on the Philip II. Having united the crowns of Portugal and Spain some three years earlier, he now ruled over a truly global empire. Although he remained focused primarily on imperial ambitions in Europe, the king was a consummate ruler who readily consumed the voluminous reports pouring in from distant regions of his empire. Philip II monitored royal finances with equal vigor and therefore understood the importance of the Consulado's monopoly over colonial markets and the general flow of New World silver to Spain.⁷⁷ While the promise of Asian riches had driven the king to establish a colony in the Philippines only two decades earlier, commerce between the New World and China was quickly developing into a potential threat to Crown finances. As a result of Enríquez's reports and Governor Peñalosa's promise to dispatch ships to all of Spain's "principal kingdoms...in the Indias," Philip II banned both the sale of Asian goods in Peruvian markets and further voyages

⁷⁶ William Schurz, "Mexico, Peru, and the Manila Galleon," 396, Footnote 34.

⁷⁷ See Geoffrey Parker, *The Grand Strategy of Philip II*.

between Manila and Peru.⁷⁸ While the markets of New Spain were larger than that of Peru, it was the southern viceroyalty that accounted for the majority New World silver production throughout the sixteenth-century. As a result, while the number of consumers in Peru was smaller in comparison to New Spain, they had access to larger supplies of bullion and a capacity for import consumption that contemporaries described as excessive and luxurious. It is therefore unsurprising that Philip II's first decree regulating the Manila Galleon trade network was designed to safeguard the Consulado's monopoly over Peruvian markets.

Following the king's ban, even more sobering news concerning transpacific trade reached Spain. In 1584, one Melchior Davalos informed Philip II that over four thousand Chinese resided in Manila and despite "laws forbidding any one to take money out of your realms...every year [they] take away all the money there is...as we have no merchandise to give them, having nothing except reals."⁷⁹ Spanish merchants in the Philippines had known from the earliest years of transpacific trade that any "commerce with [China] must be carried on with silver, which [the Chinese] value above all other things."⁸⁰ What had begun as a trickle in the early 1570s was, by the mid 1580s, a steady and growing stream of wealth.

Gauging the precise value of transpacific trade at this time is difficult, but in 1586 one Pedro Rojas estimated that three to five hundred thousand pesos flowed annually to China.⁸¹ These figures seem conservative given the fact that a year later a returning galleon, the *Santa Ana*, carried cargo that, according to the Manila Audiencia, "would have been worth in Mexico two million [pesos]."⁸² Furthermore, despite the king's recent ban on sales of Asian goods in Peru, the inter-Pacific trade in these commodities continued to flourish throughout the 1580s. Again,

⁷⁸ William Schurz, "Mexico, Peru, and the Manila Galleon," 396, Footnote 35. Woodrow Borah, *Early Colonial Trade*, 118-119.

⁷⁹ Blair and Robertson, *Vol. VI*, "Letter from Melchior Davalos to Felipe II," 54.

⁸⁰ Blair and Robertson, *Vol. III*, "Affairs in the Philippines After the Death of Legazpi," 159.

⁸¹ Blair and Robertson, *Vol. VI*, "Letter of Pedro de Rojas to Felipe II," 265.

⁸² Blair and Robertson, *Vol. VI*, "Letter from the Manila Audiencia to Felipe II," 254.

hard data regarding the value or scope of this commercial activity remains scarce due to a lack of scholarly attention but Woodrow Borah estimated that by the early 1590s it may have amounted to over two million pesos a year with Asian imports accounting for the vast majority of goods being shipped to Peru.⁸³

Spanish citizens of Manila were also expressing their concern to Philip II over the expansion of transpacific trade at this time. A general assembly was called in the spring of 1586 and a long list of grievances drawn up and dispatched to Madrid. Chapter three of this memorandum was dedicated to matters of commerce and opened with a request to Philip II that he forbid consignments of silver from being sent from New Spain to the Philippines. According to the assembly, merchants from Mexico arrived each year with such large supplies of silver that they were able to outbid the Spanish citizens of Manila and buy up the majority of Asian goods. As a result, Mexican trading companies were in control of transpacific commerce and a large amount of silver was lost to China each year. Both outcomes, the assembly believed, were detrimental to the well being of Philippines and the interests of the Consulado. To remedy this situation, the assembly requested “that only the citizens of these islands be allowed to buy and export to Mexico the products of this land and foreign products [and that] if any other person wish to do this, he should be obliged to become a citizen and reside here at least for three years; and he should trade with none but his own property.”⁸⁴

The Cabildo of Manila endorsed these proposed measures, telling the king, “we are being totally ruined here through the arrival in this city of merchants, and consignments from Mexico.” These officials went on to warn that as a result of this, “the customs duties of Sevilla and of Vera Cruz are being decreased and lost, to the great detriment of [Sevillean] merchants...the royal customs duties are being decreased [and] silver is taken to a country of

⁸³ Woodrow Borah, *Early Colonial Trade*, 94-95.

⁸⁴ Blair and Robertson, *Vol. VI*, “Memorial to the Council by Citizens of the Filipinas Islands,” 157.

infidels.” Together, the cabildo and the general assembly argued that by restricting trade with Chinese merchants to legal citizens of Manila, transpacific commerce could be limited to “small amounts...[and the] resultant loss to this state and to the seigniories of [Philip II]” would come to an end.⁸⁵ Obviously, individuals in Manila were not concerned entirely with the commercial well being of the Consulado or even the king’s finances.⁸⁶ Any decrease in the role of Mexican merchants would entail a corresponding increase in their control of transpacific trade and with it, commercial profits.

Despite the fact that individuals in the Philippines were acting largely with their own interests in mind, they seem to have been genuinely concerned with the drain of silver to Asia. Rather than request a ban on transpacific commerce they advocated for a more limited trade between Manila and the Americas in locally produced goods. Cotton, wax, honey, and gold for example, were singled out as Filipino products that could be exported to the New World in place of Asian imports. Even if such goods were exchanged primarily for American silver, Spanish officials and citizens argued that the bullion would remain in the Philippines, as opposed to being shipped to China, and would thereby help to increase the wealth of the colony.

In a letter accompanying both the cabildo’s and the assembly’s dispatches, Pedro Rojas argued that the highly profitable trade with China was actually inhibiting the economic development of the Philippines. Due to the abundance of American silver and lower priced Asian goods, native Filipinos no longer produced “cloths, lampotes [cotton gauze], cotton, and gold, all of which have great value in Nueva España.” If commerce with China was curtailed, Rojas believed that local production would resume and “the articles sent from España to Nueva España would keep their value [due to the absence of Asian imports] and the gold and silver paid

⁸⁵ Blair and Robertson, *Vol. VI*, “Letter from the Manila Cabildo to Felipe II,” 242.

⁸⁶ Blair and Robertson, *Vol. VI*, “Memorial to the Council by Citizens of the Filipinas Islands,” 157. Another request was that Philip II allow “the inhabitants of the islands [to] trade with Piru or any other country.”

for them would remain in [Philip II's] realm." Rojas further stated, "it would be of great importance to your Majesty and the whole country...if [Filipino goods] alone formed the merchandise sent to Nueva España from these islands, the gold and silver would remain here, and in the hands of the Spaniards themselves."⁸⁷ Although this economic policy sounds implausible, the argument that New World bullion would remain in the Philippines if commerce with China were suppressed spoke directly to Philip II and the Consulado's concerns over transpacific trade.

As warnings over the drain of silver to Asia and the continued importation of Chinese wares to the New World reached Madrid, government officials presented Philip II in 1586 with a report detailing the threat posed by transpacific trade. According to these officials, lower-priced wares from the Philippines readily undersold Spanish imports in American markets.⁸⁸ As a result, "trade in fabrics imported from these kingdoms [Spain] to that land [the New World] is steadily decreasing, on account of the trade which is carried on there with the Philippine Islands." As a consequence, large amounts of silver were lost to Asia and "the commerce of these kingdoms [Spain] is falling away, and the bringing of money hither is impeded [because] the lure of the cheapness of the [Chinese] merchandise overcomes all considerations." In terms of future action in regards to transpacific commerce, they advised Philip II that "the trade and commerce of the said islands, as far as said merchandise is concerned, should be abolished, and that these wares should not be carried to Nueva España or other parts of the Indias, in order that the trade of these kingdoms – a most important matter – may continue."⁸⁹

Philip II wasted little time in following through on the recommendations of his officials.

⁸⁷ Blair and Robertson, *Vol. VI*, "Letter of Pedro Rojas to Felipe II," 265.

⁸⁸ Blair and Robertson, *Vol. VI*, "Measures Regarding Trade with China," 279. There is a strong focus in this report on the underselling of Spanish textiles by Chinese imports however, it is clear that Spanish officials are not only talking about Chinese silk. "He [Viceroy Enríquez] says, moreover, that all goods carried from the islands are mere trifles, from which the land derives no profit – such as porcelains, escritaires, caskets, fans, and parasols."

⁸⁹ Blair and Robertson, *Vol. VI*, "Measures Regarding Trade with China," 279.

In 1586, all trade between the Philippines and China was suspended indefinitely and the selling of imported Chinese wares in American markets forbidden. By the mid 1580s, trade between the New World and China had come to be perceived as a serious threat to the Consulado's control over Spanish American markets and with it, Crown finances. As a result, Philip II chose to ban all commerce between China and Manila. In a written response to the king, however, Viceroy Villamanrique of New Spain downplayed the value of the Manila Galleon trade. He called the "silk, both raw and woven, cotton cloth, iron, copper, earthenware, and other things of no great worth" that are shipped from Manila a mere "annoyance." He went on to argue that the end of trade with China would curtail the spread of Catholicism, result in the eventual loss of the Philippines, and bring about a decline of Spain's power in Asia. Having made his case for continuing transpacific commerce, Villamanrique closed his letter by stating "I have seen fit to disregard your Majesty's orders" concerning further trade with China.⁹⁰ The viceroy was not alone in his refusal to enforce Philip II's ban and the royal *cédula* of 1586 became a dead letter upon its arrival.

Although Villamanrique may have been sincere in regards to continuing the spread of Catholicism and Spain's power in Asia, it is clear that the value of New Spain's trade with Manila shaped his decision to ignore the king's order. Villamanrique had admitted as much to Philip II earlier in 1586 when he reveled in a letter that the re-export of Asian goods to Peru "had become a very important part of Mexican trade." The viceroy's seemingly cavalier dismissal of royal orders is hardly surprising. Despite the 1582 ban on the shipment of Asian wares to Peru, he and other officials had not only had allowed the trade to continue but saw to it that said goods were officially registered and taxed in both New Spain and Peru.⁹¹

⁹⁰ Blair and Robertson, *Vol. VI*, "Letter from Marques de Villamanrique to Felipe II," 280-289.

⁹¹ Woodrow Borah, *Early Colonial Trade*, 119.

For Philip II, controlling, let alone suspending transpacific trade would prove most difficult. Doing so required surmounting the standard obstacles of distance, time and imperfect information that rulers of the period faced when governing over large imperial domains. Philip II was not only forced to grapple with these issues on a global scale but at a time of increasing interconnectedness and interdependency. To safeguard the Consulado's control over colonial markets and the flow of large silver remittances to Spain he had to prevent New World bullion from being exchanged for Asian merchandise. The rapid development of transpacific trade in the 1570s and 1580s, however, impacted not just Spanish imperial policy but global trade routes as well.

Commercial Expansion and Rivalry

As the first decade and a half of transpacific commerce came to a close, the trade in Asian wares and New World silver had come to exercise a significant impact on the regional economies and merchant communities of both Asia and the Americas. As discussed above, the high value of silver in China and demand for imports in Spanish America caused an increasing sum of New World mining production to gravitate towards Manila. Asian and European merchants quickly followed suit, seeking to settle or establish factors in the Spanish colonial capital. The emergence of Spanish Manila as a commercial entrepôt in the 1580s marked a shift in regional and global trade patterns. At the same time, the Manila Galleon trade network altered patterns of consumption and production throughout the Pacific Rim.

Prior to the opening of transpacific trade, Chinese merchants were involved in foreign commerce primarily as a means to acquire silver. As a result, production in the southern coastal provinces of Fujian, Guangdong, and Zhejiang was heavily oriented towards foreign markets by the late 1500s. While the New World represented only one of several export markets for Chinese

goods, trade between China and Manila grew considerably in the 1570s. By the early 1580s, James Boyajian argues that “more silver was reaching China via the Pacific from Peru than from any other single source.”⁹²

In Manila, New World silver was exchanged for a variety of goods, including Chinese ceramics. At this time, increasing quantities of lower priced, mass-produced ceramics and finer porcelain pieces were becoming available to consumers in Spanish American markets. While the majority of these pieces were decorated with traditional Chinese motifs, Chinese producers also copied Western designs and even accepted custom orders from European merchants. Shortly after the Spanish consolidated their presence in the Philippines, Chinese ceramic and glass pieces decorated with Philip II’s coat of arms began to appear.⁹³ Whether bearing Chinese or European designs, these goods were readily bought by colonial consumers and influenced local artisans throughout the Americas. Not only did Chinese ceramics represent valuable commodities, they frequently served as convenient ballast for Manila Galleons.

The export of silk thread and cloth, driven partly by the Single Whip reform of 1581, was also a burgeoning rural industry along the Chinese coast that saw an increasing volume of its production shipped across the Pacific. Like ceramics, Chinese textiles were exported throughout Asia, as well as Europe and parts of Africa. The expansion of transpacific trade in the late 1500s, however, quickly transformed Manila into one of the principal destinations for Chinese silks.⁹⁴

⁹² James C. Boyajian, *Portuguese Trade in Asia Under the Habsburgs*, 64.

⁹³ George Kuwayama, “Chinese Ceramics in Colonial Latin America” (PhD diss., University of Michigan, 2002), 17-18, 40.

⁹⁴ “Souza cites Bocarro, a seventeenth-century Portuguese historian who estimated that China produced some 36,000 to 47,000 picols (i.e. almost 2,500 tons) of silk per year early in the seventeenth century, one-third of which (i.e. 12,000 picols), about 800 tons, was exported. The vast majority of the exported silk went to Japan, Manila, and India.” Dennis Flynn and Arturo Giráldez, “Silk for Silver: Manila-Macao Trade in the 17th Century,” *Philippines Studies* 44 (1996): 54.

The Portuguese merchant and economic writer Duarte Gomes Solis reflected in 1622 that demand for Chinese textiles at Manila caused the price of silk to rise in China.⁹⁵

Like Spain's Philip II, China's Ming emperors sought to exercise as much control over foreign commerce as possible. Merchants in China were forced to acquire a government license before conducting trade with foreign states. Following the Spanish conquest of Manila Bay, Chinese merchants called for an increase in the number of government licenses available for trade with the Philippines. In 1589, the Ming government conceded to the merchants' demands by creating a new regulatory system and awarding a substantial number of foreign trade licenses to merchants going to Spanish Manila. According to Richard von Glahn, out of a total of 88, "by far the largest number – 16 – was reserved for Luzon (as many as Batavia, Siam, Palembang, and Cochin combined; no other destination was allotted more than 2 licenses)."⁹⁶ Therefore, by the late 1500s the Philippines had emerged as a major, if not one of the most prominent foreign destinations for Chinese merchants.

Chinese traders were not alone in being drawn to Manila in the 1580s. Portuguese merchants based in Macao in southern China were also busy trying to establish themselves in the Philippines. Like their Chinese counterparts, these merchants sought to acquire supplies of silver in order to expand their inter-Asian commercial dealings. While the Portuguese shipment of Asian commodities to Europe via the Cape Route, known as the *Carreira* trade, was extremely profitable, the value and volume of goods traded within Asia by Portuguese merchants, or *casados*, dwarfed that of the former. Since the first decades of the 1500s, Portuguese merchants had conducted trade with China, Japan, and other East Asian states independent of the Crown-controlled Estado da Índia. Referred to as the *casado* trade, recent scholarship has shown that Portuguese merchants in Asia concerned themselves primarily with Asian commerce as opposed

⁹⁵ Duarte Gomes Solis, *Discursos sobre los comercios de las dos Indias*, ed. Moses Bensabat Amzalak (Lisbon: 1943), 67.

⁹⁶ Richard von Glahn, *Fountain of Fortune*, 118-119.

to the importation of Asian wares to Europe.⁹⁷ In East Asia, the highly profitable *casado* trade centered on Macao, a small island in the Pearl River delta region of southern China. From this location, Portuguese merchants were able to reap enormous commercial profits by exchanging Chinese silk and gold for Japanese silver. Following the Ming dynasty's ban on direct foreign trade with Japan in 1567, the Portuguese enjoyed a near monopoly over the importation of Japanese silver to China.

Spanish colonization of the Philippines and the beginning of transpacific trade in the 1570s was greeted with hostility in Macao because it threatened the Portuguese commercial position in terms of both inter-Asian trade circuits and, to a lesser extent, the importation of Asian commodities to Europe. Following their failed attempts to expel the Spanish by force from Manila and the Philippines in general, the Portuguese lobbied Ming officials and requested that they deny Spanish merchants the right to trade directly with China. The union of Portugal and Spain under Philip II in 1580, however, complicated the Portuguese-Spanish commercial rivalry in East Asia. As already noted, this union created a truly global empire. As a result, Philip II not only controlled kingdoms, colonies, and commercial outposts throughout Europe, Africa, Asia, and the New World, he also held a dominant position over long-distance commercial trade in the Atlantic, Indian, and Pacific Oceans. The Spanish-Portuguese Empire, however, was not perfectly unified. Rather than a fusion of the two empires, the Iberian union constituted little more than a uniting of Spain and Portugal under one ruler. While the two may have shared enemies and foreign policy after 1580, Portugal remained a distinct political unit within the larger Spanish imperial framework. In practice, this meant that despite pledging allegiance to Philip II, Portugal retained control over its internal governance like the kingdom of Aragon and the city of Barcelona, as well as its foreign commerce.

⁹⁷ James C. Boyajian, *Portuguese Trade in Asia under the Habsburgs*, 53.

In terms of global trade patterns, Philip II sought to safeguard the commercial interests of merchants in both Seville and Lisbon within the larger Spanish-Portuguese Empire. The purpose of this policy was to preserve the respective commercial monopoly of each group and thereby guarantee two reliable income streams for the Crown. The goal of Philip's commercial policy was for the Consulado to continue to extract high profit margins from trade with the New World while Lisbon merchants maintained control over the slave trade in the Atlantic and commerce with Asia via the Cape route. While dealing in African slaves delivered large profits to Portuguese merchants, Portuguese trade with Asia constituted the main source of royal income. This revenue stream was based on import taxes levied on Asian goods and the royal monopoly on pepper. Rather than manage Asian commerce directly or create a legal institution like the Consulado, the king of Portugal had granted limited contracts to consortiums of private merchants. These merchants managed trade with Asia and imported pepper on the king's account. Each year, profits from the sale of pepper were delivered directly to the king of Portugal, leaving merchants to reap profits from the sale of all other imported goods minus the royal import tax.⁹⁸

Upon assuming the throne of Portugal, Philip II showed little interest in altering existing trade with Asia. The practice of granting contracts to consortiums of Portuguese merchants continued, providing Philip II with a second, albeit limited stream of income to further his imperial designs in Europe.⁹⁹ Following the union, the Portuguese at Macao were quick to lobby their new sovereign to safeguard their commercial position in Asia. They requested specifically that Philip II prohibit further efforts by Spanish officials in Manila to expand political and commercial ties with China.¹⁰⁰ At the same time, however, Portuguese merchants sought to

⁹⁸ For an excellent overview of Portuguese trade in Asia before and throughout the Iberian union, see James C. Boyajian, *Portuguese Trade in Asia under the Hapsburgs*.

⁹⁹ James C. Boyajian, *Portuguese Trade in Asia under the Hapsburgs*, 19-20.

¹⁰⁰ George Souza, *The Survival of Empire: Portuguese Trade and Society in China and the South China Sea, 1630-*

establish trade with Manila and even sought to draw Manila Galleons loaded with New World silver to Macao. Despite failing to secure direct trade between Macao and the New World, Portuguese traders succeeded in augmenting the supply of silver for use in inter-Asian trade by contact with Manila. This in turn enabled the Portuguese to acquire more Asian wares for export to Europe.¹⁰¹ Although Portuguese merchants in Macao sought to establish trade with both Manila and the New World during the 1580s, they were operating largely outside the control of the Estado da Índia and the regulations governing Portuguese trade in Asia. Like the Consulado, Portuguese merchants in Lisbon viewed the emergence of the Manila Galleon trade network as a growing threat to their commercial interests in Asia.

Across the Pacific, the development of transpacific trade was having a similar impact on the economies and merchant communities of the New World. For one, the commerce served as a stimulant to colonial industries such as silk weaving in New Spain. As Woodrow Borah showed in his classic 1943 study, prior to the establishment of Manila, Mexican sericulture had been unable to meet the demand of local silk guilds for thread. After 1579 large supplies of silk thread and dyes from China began to arrive, leading to an increase in silk textile production.¹⁰² Colonial shipbuilding was likewise stimulated by transpacific trade, as it increased the demand for vessels to both ply the Pacific and the coastal trade routes connecting Mexico and the markets of Central and South America.

As noted already, imported Asian merchandise helped to fill the growing consumer demand for manufactures throughout Spanish America. This not only disrupted the Consulado's monopolistic control over colonial markets but also sparked a bitter feud between colonial merchants in New Spain and Peru. The main point of contention between Mexican and Peruvian

1754 (New York: Cambridge University Press, 1986), 65-68.

¹⁰¹ James C. Boyajian, *Portuguese Trade in Asia under the Habsburgs*, 84-85.

¹⁰² Woodrow Borah, *Silk Raising in Colonial Mexico* (Los Angeles, CA: University of California Press, 1943), 76.

merchants was who would supply South American markets. While the markets of Mexico and Central America had always demanded larger supplies of imported goods than the Consulado shipped, Peru had remained by far the most under-stocked. Its consumers were, by the last third of the sixteenth-century, also becoming unrivaled in their taste for and capacity to consume manufactures and luxury wares. By the 1580s, imported Asian goods were widely available on the Calle de Mercaderes in Lima, where, according to Viceroy Monterrey “people live most luxuriously.”¹⁰³ Francesco Carletti also observed the consumption patterns of Peruvians during his visit to Lima in the 1590s. There he noted, “many household of important Spanish gentlemen and merchants [who] live with more cleanliness and splendor than in any other part of the West Indies.” Carletti, however, observed not only wealthy Peruvians living luxuriously, but African slaves as well, who “on festive days...go about superbly dressed in silk and with pearls, and even gold.”¹⁰⁴ The heralded buying power of Peruvians was still evident in the 1620s when the governor of the Philippines estimated that the viceroyalty could absorb two million pesos’ worth of Chinese textiles a year.¹⁰⁵

Following the end of Peñalosa’s short-lived expansion of transpacific commercial routes, Acapulco emerged as the main theatre where the Mexican-Peruvian rivalry was to play out. While merchants from New Spain possessed the advantage of a strong and direct commercial link to Manila, their Peruvian counterparts had access to larger supplies of capital due to the immense silver output of Potosí. As a result, Peruvian merchants were frequently able to outbid their Mexican rivals at Acapulco and carry away a large share of Asian imports.¹⁰⁶ Once again, Francesco Carletti’s experience of arriving to Acapulco in the mid-1590s testifies to this. Having sold his merchandise in Lima for bars of silver, the Florentine sailed to New Spain where

¹⁰³ William Schurz, *The Manila Galleon*, 365.

¹⁰⁴ Francesco Carletti, *My Voyage Around the World*, 39-40.

¹⁰⁵ Richard Garner, “Where Did All the Silver Go?,” 78-79.

¹⁰⁶ Woodrow Borah, *Early Colonial Trade*, 122.

he hoped to exchange the silver for goods that could be re-exported to Peru. After arriving, he noted how local “women of the world” had a saying to the effect of “let the jinens out and the sancudos in [which] refers to the Peruvians, almost as if to say; ‘Get out, you small-town folk and rustics. People weightier and more splendid than you are coming.’ And in fact that is what happens, because of the quantities of silver which the Peruvians bring to buy various goods.”¹⁰⁷

New Christian Portuguese merchants were also active in transpacific and inter-colonial trade networks throughout the 1580s, and constituted a small but well-connected and well-financed rival faction to Peruvian and Mexican traders. Following the union of Spain and Portugal, small communities of New Christian Portuguese merchants began to appear in Manila and major trade centers throughout the New World. With their commercial and familial networks that literally encircled the globe, these merchants were able to profitably trade in standard global commodities such as silk and spices along with small, niche luxury items like diamonds, pearls, and colored gemstones. Like all New Christian merchants, those operating out of Spanish-controlled territories throughout this period lived a precarious existence and were under the near-constant threat of prosecution by the Inquisition. Nonetheless, these merchants imported millions of pesos’ worth of Asian wares to the New World and distributed them via colonial trade circuits.

As the efforts of both European and Asian merchants demonstrate, the decade and half following the establishment of Spanish Manila witnessed quantitative and qualitative changes in Southeast Asian and Spanish American trade routes. The demand for New World silver drove increasing number of Chinese and Portuguese traders to the Philippines. Colonial and, to a lesser extent, New Christian Portuguese merchants in turn converged on both Spanish Manila and Acapulco in order to satisfy the appetite Spanish American consumers for imported

¹⁰⁷ Francesco Carletti, *My Voyage Around the World*, 56-57.

commodities. Although significant, the expansion of transpacific commerce during this period only laid the foundation for further development in the coming decades.

Galleons in a Silver Sink: 1586 - 1604

‘The King of China could build a palace with the silver bars from Peru which have been carried to his country because of that traffic, without their having been registered, and without the King of España having been paid his duties.’ – from The Relation of Hieronimo de Banuelos y Carrillo, 1638.¹⁰⁸

With the king’s *cédula* banning trade between the Philippines and China being ignored, Manila Galleons continued to ply the Pacific after 1586. Like the first decade and half following the establishment of Spanish Manila, the waning years of the sixteenth-century witnessed various groups and individuals trying to augment the number of commercial routes and vessels involved in transpacific trade. But while some merchants and government officials promoted the expansion of the Manila Galleon trade network, the Consulado and, by the late 1580s, the Portuguese called increasingly for its suppression. As the overall value of the trade increased throughout the late 1580s and 1590s, the pressure on Philip II, and later Philip III, to stem the loss of silver to China and the flow of Asian merchandise to colonial markets continued to mount.

Following his refusal to enforce the king’s 1586 decree, Viceroy Villamanrique of New Spain worked earnestly to increase the number of vessels completing annually voyages to and from the Philippines. In his dispatches to Madrid, the Mexican viceroy communicated his efforts to foster the development of a privately owned, transpacific commercial fleet for the benefit of the Crown. Writing in 1587, the Viceroy told Philip II, that it is “very important...for your

¹⁰⁸ Blair and Robertson, *Vol. XXIV*, “The Relation of Hieronimo de Banuelos y Carrillo,” 71.

Majesty's service that trading in the Philipinas should be carried on through the hands of the merchants; that they should maintain ships, in order to relieve your Majesty from so great and heavy expense as you are under." To this end, the Viceroy had begun to auction off royally owned vessels to private individuals who promised to keep them involved in trade with Asia "as long as [they] hold together." He also suggested to Philip II that the Crown could net a sizeable profit by building and selling galleons to colonial merchants in New Spain. Both the selling of existing ships and construction of new ones were part of Villamanrique's overall designs for an expanded transpacific commercial space dominated by private merchants from New Spain. The viceroy believed that by encouraging the development of private transpacific commerce, "conditions [in the Pacific] will finally come to be like those in the Northern Sea [the Atlantic]."

109

New Spain was not the only Spanish colony to see an increase in shipbuilding as a result of the expansion of transpacific trade in the late 1580s. In the Philippines, Governor Santiago de Vera was, like his counterpart in New Spain, overseeing the construction of Manila Galleons. As of June 1587, Vera reported that "a fine galley of five hundred toneladas" was complete which raised the number of ships in the Philippines suitable for transpacific crossings to five. Vera informed the King, "trade continues to increase, so that, were vessels not lacking, a great quantity of goods would be sent to Nueva España." In the same letter, Vera requested additional funds to cover the construction and outfitting of ships for coastal defense and trade with New Spain. Vera was quick to note that vessels "can be constructed very easily, and at but a little expense" in Manila.¹¹⁰ The Manila suburb of Cavite would in fact become a major center of shipbuilding in the coming decades and would soon turn out galleons well in excess of 1000 tons' burden.

¹⁰⁹ Blair and Robertson, *Vol. VI*, "Second Letter from Marques de Villamanrique to Felipe II," 295.

¹¹⁰ Blair and Robertson, *Vol. VI*, "Letter from Santiago de Vera to Felipe II," 297.

While the addition of new galleons and development of private shipping in the Pacific helped to further commerce, merchants and government officials also pushed to establish direct trade routes between China and the New World. With the approval of Villamanrique, both the *San Martín* and the *Santa Ana* sailed from Acapulco to Macao in 1587 and 1588.¹¹¹ A year later, the ban on direct trade between Peru and Asia may have been flouted when “a ship from Panama or Piru, prepared to lay out a large sum of money, arrived at Macao.”¹¹² Spanish merchants were not the only ones bypassing Manila at this time. In both 1584 and 1589 Portuguese vessels set out from Macao bound for New Spain. Upon arrival at Acapulco, the captain of the 1589 voyage João da Gama, was immediately detained and had his sizeable cargo of merchandize confiscated by Mexican authorities. Despite the loss of its captain, the Portuguese vessel completed its return to Macao successfully and netted a sizeable profit thanks to American silver.¹¹³

Although Macao remained a Portuguese trading post throughout the union of Portugal and Spain, there is reason to suspect that a small number of Spanish merchants may have established themselves on the island by the late 1580s. In 1589, the Portuguese viceroy of India Manuel de Sousa Coutinho wrote to Philip II concerning the continued violation of the ban on trade between China and New Spain. Singling out Portuguese officials in Macao for aiding this commerce, Coutinho informed the king that he had dispatched troops and ordered the expulsion of Spanish merchants from the outpost. This, he told his sovereign, would ensure “that only the original Portuguese citizens shall remain in Machao [and] will do away with any further occasion for vessels to go there from Nueva España.”¹¹⁴

¹¹¹ Blair and Robertson, *Vol. VII*, “Letter from Domingo de Salazar to Felipe II,” 66-67. “Letter from Santiago de Vera to Felipe II,” 77-78.

¹¹² Blair and Robertson, *Vol. VII*, “Letter from Gaspar de Ayala to Felipe II,” 111-112.

¹¹³ George Souza, *The Survival of Empire*, 68. O.H.K. Spate, *The Spanish Lake*, 163.

¹¹⁴ Blair and Robertson, *Vol. VII*, “Excerpt of a Letter from the Viceroy of India,” 70-71.

The push by Spanish and Portuguese merchants to expand transpacific trade routes beyond the standard Manila-Acapulco run was ultimately unsuccessful, as these initial voyages failed to inaugurate regular, direct trade between China and the Americas. This flurry of commercial activity in the late 1580s was not lost on the Consulado, though. For Sevillean merchants, Philip II's preliminary attempts to suppress transpacific trade had done little to ease their anxiety over the availability of Asian imports in colonial markets. Trade with Chinese merchants persisted despite the 1586 ban and a steady stream of reports detailing the expansion of the Manila Galleon trade network continued to arrive in Spain.

In order to defend their commercial monopoly over colonial markets, the Consulado began to place increasing pressure on Philip II to follow up on his 1586 *cédula*. In 1589 the Consulado wrote to the king, "when the fleets from Castille arrive [to the New World] they now have less sale for their goods, since the market is supplied by cheaper merchandise from China, and the Philippines. This results in great damage and prejudice to the royal revenues, and is a grave blow to the commerce, since it is clear that the fleets do not go so heavily laden as formerly, nor do they bring back so much gold and silver on return."¹¹⁵ There was undoubtedly some exaggeration in the Consulado's report but it is clear that Sevillean merchants were facing stiff competition in colonial markets from Asian imports. One of the challenges for future research is to determine the extent of this competition.

Along with the Consulado, Portuguese officials in Lisbon were also beginning to voice their concerns over transpacific trade. In 1590, Philip II received a letter explaining in detail how the continuation of commerce between Asia and the New World constituted a threat to Portugal's commercial empire in the Far East. The Portuguese were quick to remind Philip II that it was their forefathers' blood and treasure that had won control of Asian trade for the royal crown. Castilian merchants in Manila, however, were now threatening to seize control of this

¹¹⁵ Quoted in William Schurz, *The Manila Galleon*, 405.

commerce. According to officials in Lisbon, Portuguese garrisons, fleets, and trading posts in Asia were maintained primarily through income derived from trade with China. If transpacific trade was allowed to continue, “the income from the customs duties, on which Yndia is supported, will necessarily be lost. Nor will there be money or forces with which many large fleets may be organized by his Majesty for its preservation and defense, or with which to pay the soldiery stationed there.”¹¹⁶

Having explained the danger that transpacific trade posed to their own interests, the Portuguese went on to warn Philip II of the potential threat to Spain’s continued dominance of the New World. “When Chinese merchandise is in the western Indies [the Americas] and money is flowing to China, trade and commerce with Hispaña will necessarily fall off, together with the income of the custom house at Sevilla, while money will be scarce there and throughout España.” The decrease in trade between Spain and its colonies and with it the profit of the Consulado, was not the only danger that the Portuguese sought to draw Phillip II’s attention to. “If navigation is permitted from the western Indias to China, all the money and coin in the kingdom will flow thither and none will go to Hespaña. [As a result] the Indias will come to have no need of Hespaña, because all the products obtained from this country can be obtained from China in much great abundance and more cheaply.”¹¹⁷ According to the Portuguese, Philip II risked losing economic control of his American colonies unless transpacific trade was suppressed.

The warnings from the Consulado and the Portuguese cannot be considered objective. Each was seeking to safeguard their own commercial interests by raising alarm over the importation of Asian goods to the New World via the ‘*nao de la China*’ trade network. Their reports to Philip II, however, echoed information emanating from Peru during the same period. In a series of dispatches spanning the years 1590-1594, Viceroy Cañete informed Philip II that

¹¹⁶ Blair and Robertson, *Vol. VII*, “Letter from Portugal to Felipe II,” 190.

¹¹⁷ Blair and Robertson, *Vol. VII*, “Letter from Portugal to Felipe II,” 190.

lower priced Asian goods were readily available in Peruvian markets and they were underselling Spanish imports. By 1592, taxes collected on imported Asian goods from New Spain at El Callao were said to have equaled those regularly collected on Spanish merchandise.¹¹⁸ Equally alarming was the news that despite a recent interruption in the supply of goods from Seville, Peruvian merchants withheld a sizable volume of European imports. These goods were reportedly becoming increasingly harder to sell due to the availability and lower price of Asian merchandise.

Echoing Enríquez a decade earlier, Cañete also noted that the cheapness of Chinese silks resulted in “Indian caciques and even commoners...using them for clothing instead of [locally produced] cloth.”¹¹⁹ The widespread consumption of Chinese silk in Peru provides supporting evidence to the report of Governor Gómez Pérez Dasmariñas of the Philippines that by 1592 the importation of textiles from Manila had come to exceed those from Spain.¹²⁰ Unlike the Portuguese or members of the Consulado, Viceroy Cañete cannot be considered an enemy of transpacific trade. Like other colonial officials, he lobbied the Crown on behalf of local merchants, requesting that three to four vessels be allowed to sail directly between Lima and Manila in 1590. Rather than wait for permission from Philip II, he dispatched a ship to the Philippines later that year, sending with it a substantial amount of his own money.¹²¹ Cañete’s reports do not completely validate the expressed concerns of the Consulado or the Portuguese but they do indicate that their fears may have been based on actual developments in colonial markets.

Faced with the continuing drain of silver to Asia, the flow of Chinese imports to the Americas, and the increasing warnings from his subjects concerning these trends, Philip II was

¹¹⁸ Woodrow Borah, *Early Colonial Trade*, 151, Footnote 146.

¹¹⁹ Woodrow Borah, *Early Colonial Trade*, 120-121.

¹²⁰ Blair and Robertson, *Vol. VII*, “Three Letters from Luis Perez Dasmariñas to Felipe II,” 267.

¹²¹ “Cañete himself admitted to sending 8,000 ducats on the vessel for investment on his own account, the amount being that of a permit he had to import merchandise each year from Spain without tax.” Woodrow Borah, *Early Colonial Trade*, 118.

forced to yet again attempt to gain control of transpacific commerce. In a 1593 decree the king stated, “as the merchants and other persons in the Northern Sea who trade in these our kingdoms of Castilla, and in the Yndias, have suffered so many losses during past years, and those engaged in the profits of the Chinese trade have gained so much, the latter has increased greatly, while the commerce of these my said kingdoms has declined.”¹²² To preserve the Consulado’s trade monopoly and the Portuguese commercial position in Asia, Philip II reissued past restrictions and extended existing regulations on transpacific trade. Once again, all trade in oriental goods between New Spain, Peru, and Tierra Firme was strictly forbidden. To limit the drain of silver and flow of Asian goods to New Spain, a series of new regulations on transpacific shipping was introduced. Galleons leaving Mexico would henceforth be allowed to carry only 250,000 pesos’ worth of silver or goods while on the return trip from Manila the value of all cargo could not exceed 500,000 pesos. Furthermore, only two ships with a total carrying capacity of 300 toneladas would be allowed to ply the trade route each year.¹²³

In response to the regulations of 1593, Viceroy Villamanrique did not, on this occasion, write to the king that he “saw fit to disregard” them. Nonetheless, successfully enforcing the decree and through it severely limiting commerce between Asia and the New World would prove to be as difficult as ever. It was not just the lure of lower priced merchandise that was now driving colonial merchants towards transpacific trade but the actions of the Philip II and events in the Atlantic as well. In 1590, the Crown’s deteriorating financial position and mounting military expenditures had driven Philip II to confiscate all private consignments of silver en route to Spain. A royal declaration was published throughout Spanish America to reassure the merchant community that this was a one-time occurrence driven by extraordinary events. Both

¹²² Blair and Robertson, *Vol. VII*, “Restrictions on Commerce,” 298-300.

¹²³ Robert Reed, *Hispanic Urbanism in the Philippines: A study of the Impact of Church and State* (Manila: The University of Manila, 1967), 125-126.

Charles V and Philip II had, however, regularly confiscated private silver remittances to Spain and the practice would continue in the future.¹²⁴

Instability in Europe was also a growing concern for both Peruvian and Mexican merchants. Prolonged war with the English and Dutch impacted transatlantic shipping during the 1590s, placing further strains on colonial merchants involved in trade with Seville. Repeated attempts by Spain's rivals to capture a Spanish treasure fleet returning from the Indies increased the cost of transatlantic shipping while also highlighting Spain's difficulties in protecting Atlantic trade routes. Frequent assaults by the English on the Azores and, in 1596, the port of Cadiz also interrupted the departure times of Spanish fleets bound for the New World and increased the likelihood of encountering strong tropical storms or hurricanes. As a result of these developments, colonial merchants conducting trade with Seville faced mounting commercial uncertainty, difficulty in securing shipment of merchandise, and increasingly longer waits on returns from their commercial investments.¹²⁵ In a 1594 letter to Philip II, Viceroy Cañete touched upon each of these developments, offering a poignant summary of the commercial climate in the Americas.

The merchants of the entire realm (and particularly those of this city) complain continually of the multitude of taxes they pay in Spain and Panama, of the abuses and incontinences they suffer, and of the lack of security for their property on the journey. As a result, they now make their purchases in New Spain, for the voyage between the port where purchases are made [Acapulco] and here avoids all the expense and risk of going to Spain. This year and last a

¹²⁴ Mauricio Drelichman argues that "a plausible conjecture is that the Crown's willingness to confiscate private treasure to defray expenses might have constituted an implicit guarantee on its overall credit worthiness" with European bankers. "All That Glitters: Precious Metals, Rent Seeking and the Decline of Spain," *European Review of Economic History*, 9 (2005): 313-336.

¹²⁵ Woodrow Borah, *Early Colonial Trade*, 95, 121, 156 Footnote 26.

dozen ships have sailed to Mexico, leaving this colony swept clean of silver. Although in my administration, your majesty has been sent larger remittances on treasury account than in any other, remittances [to Spain] by private people are much smaller than before. The silver that used to be sent in the Tierra Firme fleets, goes now to New Spain....Chinese merchandise is so cheap and Spanish goods so dear that I believe it impossible to choke off the trade to such an extent that no Chinese ware will be consumed in this realm.¹²⁶

More archival research is needed before a precise understanding of colonial merchant activity can be gained for this period but a general trend can be gleaned from Cañete's reports and other sources. There appears to have been a growing independent streak in colonial merchant communities. Both Peruvian and Mexican merchants began to distance themselves from the interests of their Sevillean counterparts and resisted efforts by the Crown to gain control over their commercial activity. While Cañete's letter dealt with the plight of Peruvian merchants, those of New Spain faced similar obstacles to trade with Seville. Many undoubtedly responded in the same manner and began shifting their attention and resources to trade with Asia. Their numbers were significant: some 246 individual Mexican merchants were involved in commerce with Manila by the 1590s.¹²⁷ The majority of merchants in Mexico may have continued to hold strong commercial and familial ties to Seville but by the late sixteenth-century some had begun to distance themselves from the Consulado by establishing local guilds in New Spain.¹²⁸ In Mexico City, a local consulado was established in 1594 and, according to Robert Smith, by the early 1600s it openly "advocated freedom of trade in the Pacific area, [although]

¹²⁶ Quoted in Woodrow Borah, *Early Colonial Trade*, 121-122.

¹²⁷ Louisa Hoberman, *Mexico's Merchant Elite*, 39.

¹²⁸ Etsuko Miyata Rodriguez, "The Early Manila Galleon Trade: Merchants' Networks and Markets in Sixteenth and Seventeenth Century Mexico." In Donna Pierce, ed. *Asia & Spanish America: Trans-Pacific Artistic and Cultural Exchange, 1500-1850* (Denver, CO: Denver Art Museum, 2000), 43.

not on general principles, but for the benefit of merchants and shippers belonging to the guild.”¹²⁹

In Peru, merchants refused in 1594 to follow their Mexican counterparts in organizing a local consulado. While their reasons for doing so remain unclear, it is likely that they believed forming a merchant guild would render them increasingly vulnerable to forced donations and other financial concessions at the hands of the Crown.¹³⁰ It is also possible that smaller merchants specializing in inter-Pacific colonial trade feared that commercial elites with strong ties to Seville would dominate a consulado in Lima. Both concerns were legitimate, and their refusal to form a merchant guild was likely influenced by a desire to safeguard their access to Asian wares at Acapulco.

To the consternation of Mexican, Peruvian, and some Portuguese merchants, free trade in the 1590s was not of course, a reality. The latest push by Philip II to restrict trade with China was therefore met with an increasing turn to contraband trading in both silver and Asian goods. In 1597, the lawyer and colonial official Antonio de Morga informed the King that the heavily loaded *San Felipe* had been forced to anchor at Japan while in route to Acapulco. Once in port, “the emperor of that country, Taycosama [Go-Yozei], covetous of the treasure with which it was laden, took it all.” According to Morga, the treasure was worth around 1.5 million pesos, three times the legal limit.¹³¹ In 1599, Governor Tello of the Philippines wrote to Philip III concerning a group of Peruvian merchants who had recently arrived “loaded down with money to be registered—although the fiscal of your royal Audiencia and another royal official, who went to inspect the ships, could not find any proof, as the money had all been taken out before they

¹²⁹ Robert Smith, “The Institution of the Consulado in New Spain,” *Hispanic American Historical Review*, 24 (1944): 64, 67-68, 70.

¹³⁰ John Melzer, *Bastion of Commerce in the City of Kings: The Consulado de Comercio de Lima 1593-1887* (Lima, Peru: Editorial Concytec Peru Press, 1991), 8-9.

¹³¹ Blair and Robertson, *Vol. X*, “Letter from Antonio de Morga to Philip II,” 25.

arrived.”¹³² While the exact amount of silver bullion these merchants had brought to Manila remains unknown, their haste to unload it before officials could board their ship leaves little doubt that it was beyond the legal limit. The Italian merchant Francesco Carletti also testified to the ease and regularity of transpacific smuggling in an account of his and his father’s journey from Acapulco to Manila in 1596. Having arranged for passage on a galleon as “pretend officers” they secured an official license to travel to the Philippines. Before embarking they “confidently placed [their money] in the hands of the ship’s captain, who was used to carrying such things for various people...and a million gold scudos rode along that way despite the order [of Philip II] and a sender was obliged to pay the captain two scudos out of ever hundred.”¹³³

The restrictions on the size and number of ships allowed to sail annually to the Philippines was also routinely violated following the 1593 decree. In the same letter discussing the Peruvian merchants, Tello informed the king that three ships had arrived from New Spain, two of which were owned and operated by private individuals. He also noted that a five hundred-ton ship had been recently built in Manila and was currently en route to Acapulco.¹³⁴ In late 1599 and early 1600, a total of five ships from the Philippines made port at Acapulco, three of which may have been privately owned commercial vessels. One of these ships, the *Santo Tomás*, was carrying two million pesos’ worth of silver when it wrecked two years later near Luzon. In 1601, the 1000-ton *Santa Margarita* was blown off course before being lost near the Mariana Islands on its return journey to Mexico. Spanish officials subsequently blamed its loss on severe overloading.¹³⁵

This evidence suggests there was little enforcement of the 1593 restrictions on

¹³² Blair and Robertson, *Vol. X*, “Letter from Governor Don Francisco Tello,” 250-251.

¹³³ Francesco Carletti, *My Voyage Around the World*, 70. One scudos or escudos was roughly equivalent to two pesos, thus Carletti alleges that some two millions pesos left for Manila.

¹³⁴ Blair and Robertson, *Vol. X*, “Letter from Governor Don Francisco Tello,” 249-250.

¹³⁵ “The loss is attributed by some to disagreement amount the officers, and by others the late sailing of the ships, and to a lack of sailors, and (what is more nearly correct) to the general overloading of the vessels.” Blair and Robertson, *Vol. XII*, “Principal Points in Regard to the Trade of the Filipinas,” 46.

transpacific trade. Colonial officials expressed as much to Philip II directly, telling him that any attempt to do so was hopeless. In New Spain, Viceroy Velasco pushed instead for a loose enforcement of the regulations. He was no doubt compelled to do so by the town council of Mexico City, which continued to inform the king of the extent to which Mexican commerce depended on the re-export of Asian wares.¹³⁶ The lax enforcement of trade regulations allowed the amount of silver leaving the New World to steadily increase through the last decade of the sixteenth-century and the opening years of the seventeenth. By 1602, the Mexico City Cabildo estimated that five million pesos left the Americas via the Manila-Acapulco run each year, with three-fifths of this total originating in Peru.¹³⁷ The figure of five million pesos, by far the largest sum put forward by officials at the time, is significant in respect to the size of Spanish Atlantic silver flows during the early seventeenth-century. According to economic historian Richard Garner, “around 1600 the Atlantic remittances (reported as remittances to Castile) were running at more than 50 million pesos per quinquennium or more than 10 million per year.”¹³⁸ Thus, the Cabildo’s estimate of transpacific trade placed the total value of silver been shipped to Asia at a little less than half of the amount flowing to Europe. In terms of trade, however, “the amount of silver [from Peru and New Spain] leaving Acapulco for Manila was [already by 1597] greater than the value of New Spain’s trade with Spain.”¹³⁹

Despite new regulations, threats to the Seville Consulado’s commercial monopoly, Portuguese trade with Asia, and the finances of the Crown continued. With the death of Philip II in 1598, the burden of empire fell on Philip III. In a 1603 report titled ‘Principal Points in Regard to the Trade of the Filipinas’ an unknown author informed the newly crowned monarch that along with Chinese textiles, imported goods from Asia such as “earthenware, wax, nails, and

¹³⁶ Louisa Hoberman, *Mexico’s Merchant Elite*, 215.

¹³⁷ O.H.K. Spate, *The Spanish Lake*, 201.

¹³⁸ Richard Garner, “Where Did All the Silver Go?,” 56.

¹³⁹ Peter Bakewell, *A History of Latin America to 1825, Third Edition*, 253.

other merchandise” were contributing to a decline in Atlantic commerce. As a result, “the commerce of España with Piru and Tierra Firme is ceasing, and merchandise from España is not sent to Piru...if this be not checked within a few years, it is agreed by all that the trade of España in merchandise with Tierra Firme, Piru, and Nueva España will cease.”¹⁴⁰ The Bishop of Rio de la Plata likewise warned Philip III “in order that the Yndias may not be ruined, they should be dependent upon and subordinate to España, and there should be a close relationship between the different parts [of the Kingdom].” This dependence was threatened, however, by “the diversion of the commerce between the Yndias and España to other kingdoms, not belonging to his Majesty, but heathen and pagan; such as is now the case between Nueva España, Peru, and the Filipinas.” As a result, the wealth of New World “passes into the possession of the Chinese, and is not brought to España.”¹⁴¹

Coming on the heels of these reports was equally sobering news concerning commercial activity in Peru. In many respects, the two letters that the king received from the Viceroy Conde de Monterrey in 1603 were identical to those of Viceroy Cañete a decade earlier. According to Monterrey, Spain’s trade with Peru was declining because of the excessive duties and long delays that had come to characterize Atlantic commerce. As a result, “the merchants of Lima, who were formerly very rich and had ample credit, have [now] become debtors; and this is the reason why the merchants of Seville do not make the same profits as formerly.” Commerce between Peru and New Spain on the other hand, “has increased greatly” and now “Peruvian merchants prefer to go the Nueva España to make their investments rather than to España.”

Monterrey went on to explain that the traffic between the two viceroyalties contained a high volume of Chinese goods and that lesser quality textiles imported from Asia were worn “by the very poor, and the negroes, and mulattoes (both male and female), sambahigos [sons of

¹⁴⁰ Blair and Robertson, *Vol. XII*, “Principal Points in Regard to the Trade of the Filipinas,” 46.

¹⁴¹ Blair and Robertson, *Vol. XII*, “Opinion of Fray Martin Ignacio de Loyola,” 57.

Indian men and African women], many Indians, and half-breeds, and this in great number.”

Churches throughout the colony were also richly adorned in Chinese silk where “before, because of the inability to buy silks of España, [they] were very bare.” Monterrey closed with the standard plea to reopen direct trade between Peru and Manila. He argued that the traffic in Chinese wares was extremely beneficial to the Peruvian economy and could be equally lucrative for the royal treasury if the king were to sanction the commerce and collect duties on Asian imports.¹⁴²

Philip III scarcely considered allowing the expansion of transpacific trade beyond the Manila-Acapulco route. Nor did he seriously consider the option of allowing trade to be conducted beyond the limitations of 1593 despite the potential revenue from import duties. Like his father, Philip III was financially dependent on the continued flow of New World silver for servicing existing debt and contracting for new loans to risk a further and perhaps even larger inflow of Asian goods to the Americas. At the same time, Philip III had to safeguard Portuguese trade in Asia. For one, there was the meager income from the royal pepper monopoly and import taxes levied on the Cape route to preserve. More importantly, the king had to safeguard the ability of his Portuguese subjects to defend their commercial empire in Asia against growing English and Dutch threats. Doing so would in turn help to maintain the support of Lisbon merchants and the continued allegiance of Portugal to the Crown of Castile. Philip III, therefore, had little choice but to continue his father’s efforts to limit transpacific trade.

Regulating the Pacific

“It should not be lost sight of that New Spain is a colony which ought to be dependent on the mother-country. It requires great prudence to regulate this dependence and to see that the interest in its maintenance is mutual and

¹⁴² Blair and Robertson, *Vol. XII*, “Extracts from Two Letters from the Conde de Monterrey,” 57.

reciprocal, for it would cease the moment that the necessity was no longer felt here for European manufactures and other products.” – Juan Revillagigedo, viceroy of New Spain

In the three decades following the establishment of Spanish Manila, the complementary demand for silver in China and merchandise in Spanish America had transformed the vast Pacific into a vibrant commercial space. By 1604, millions of pesos’ worth of silver and goods moved annually between Asia and the Americas with trade remaining largely confined to the ports of Manila and Acapulco and limited to ‘Urdaneta’s Route’. However, Peñalosa in Manila, Villamanrique in New Spain, and even the Portuguese in Macao had each demonstrated that an expanded commercial network in the Pacific was not only possible but also commercially advantageous. It was this very expansion that the Crown had fought to prevent since Peñalosa’s call in the early 1580s to develop direct trade between Manila and ports in Central and South America. Since then, transpacific commerce had increased to the point that it may have posed a legitimate threat to the Consulado’s hold on colonial markets, the Portuguese commercial empire in Asia, and the financial underpinning of the Crown of Castile.

In practice, Philip II’s regulations of 1593 had been an attempt by Spain to commercially isolate the New World from Asia. While these restrictions had largely failed, Philip III did not abandon the effort to safeguard the financial resources of his empire through commercial regulations. In 1604, the young king established a regulatory framework governing trade between the New World and Asia that was to remain nearly unchanged for the next two centuries.

The “Decree Regulating Commerce with Nueva España” issued in 1604, contained few restrictions on transpacific commerce that were not already in place. In this sense, Philip III was compiling and reissuing the many trade regulations that had been enacted over the previous two decades. The decree itself opened with a review of these laws, which according to the king had so far failed to “obviate the loss...to these kingdoms and to their trade and commerce” owing to

them being ignored by “the citizens of Nueva España, Peru and other provinces...[with the full] knowledge and permission of my viceroys, and governors.” Having admonished colonial officials for their lax enforcement of regulations, the king followed by stating, “I should command the entire prohibition of the trade of the said Nueva España with the said Philipinas Islands.” Conceding that the termination of transpacific commerce would result in the eventual loss of the Philippines and an end to the spread of Catholicism in Asia, Philip III pulled back from an outright ban. Instead, he commanded that henceforth all regulations were to be strictly enforced, and that transgressors would suffer the “penalties without any exemption or remission.”¹⁴³

Not content with simply enforcing existing trade laws or promising to prosecute those who violated them, Philip III ordered colonial officials to implement several new restrictions. From this point on, two, 200-ton ships were to annually ply the Pacific with the king stipulating “they shall be my vessels, and shall sail on my account...for in this way they will...[not] exceed this number and capacity.” With this order, Villamanrique’s designs for a transpacific commercial space frequented by privately owned vessels and dominated by colonial merchants was laid to rest. Philip III specifically commanded that ships could no longer sail “on the account of private persons...[which] must without fail cease.” The Pacific was to be not just a Spanish lake but one controlled and traversed exclusively by royal vessels with private Spanish merchants and ships forbidden to operate independently in its waters.

To crack down on smuggling and the ability of Mexican and Peruvian merchants to travel to and from Manila, existing regulations pertaining to galleon officers and sailors were expanded. All crewmembers were barred from taking part in trade and were forbidden to load “any article whatsoever” on royal vessels engaged in transpacific crossings. The number of crewmen allowed to serve on each voyage was also capped on account of there frequently being many “artillerymen and sailors...who were not such” on past voyages. The governor of New

¹⁴³ Blair and Robertson, *Vol. XIII*, “Decree Regulating Commerce with Nueva España,” 256.

Spain was in turn ordered to allow only those individuals planning on becoming citizens of the Philippines from traveling to Manila. Thus merchants like Carletti would no longer be able to serve as ‘pretend officers’ and accompany their valuable cargo either to or from Manila. Nor would ship captains be able to stow silver and merchandise for themselves or merchants.

The 1604 decree not only placed control over transpacific voyages squarely in the hands of the Crown, it set up an elaborate system for regulating the loading and unloading of all vessels sailing to and from Manila. A royal inspector and an accountant were commanded to accompany each voyage so that they might “keep account and system in everything. And they shall inspect the articles laded as merchandise, and carried back on return in the said ships, and account for them in their books.” To assist them in this duty, all merchandise being loaded in Manila was to be inspected and noted in the ship’s registry by members of the royal exchequer. Once the galleons reached Acapulco “everything shall be again checked off, and appraised...and the proper measures shall be taken to ascertain and learn what has come registered, and whatever shall be found to have come without registry, and whatever is carried contrary to the said prohibition, shall be confiscated.” A similar system was devised for ships embarking from New Spain in order to limit the amount of silver leaving the Americas to 250,000 pesos a year. In closing, Philip III’s decree issued one last warning to his colonial officials. “And in all cases of remissness or carelessness which these my ministers shall display in the fulfillment and execution of said orders, I command that the penalties be executed against them, and the example which the affair demands shall be made.”¹⁴⁴

The reaction to Philip III’s decree in the New World and the Philippines was, like those of his father, mixed. Transpacific smuggling of both silver and Asian goods remained rampant, as did the trade in Chinese wares between New Spain and Peru. Thus, despite the threats from Philip III, government officials on both ends of the trade network continued to collude with

¹⁴⁴ Blair and Robertson, *Vol. XIII*, “Decree Regulating Commerce with Nueva España,” 256.

local merchants to thwart restrictions. There would be the occasional official who sought to enforce royal regulations to their full extent but they were few and far between and their impact on the overall nature of the trade was limited.¹⁴⁵ More often than not, the wealth that could be had for simply turning a blind eye to royal regulations was too enticing for most to ignore. Trade with the Philippines in general was too valuable and the profits to be gained too high for such restrictions to be totally enforced or respected. In this way, the regulation of the Manila Galleon trade network was no different from the host of orders issued from Madrid throughout Spain's history as an imperial power. The distance and time separating colonial viceroys from their sovereign meant that royal orders, when actually received, could be outdated, out of touch with the reality, or simply unenforceable for a variety of reasons. The prevailing attitude in Spain's colonies was, wrote Schurz, *se guarda la orden, pero no se cumple*. "That is to say, royal orders were scrupulously respected, but not complied with."¹⁴⁶

Due to the high degree of smuggling throughout the history of the Manila Galleon, most historians have regarded Spanish efforts to control transpacific commerce as a failure. However, the significance of Spanish efforts to restrict trade between the New World and Asia is not to be found in the Crown's constant battle against contraband goods. Rather, in spite of this illicit commerce the Crown achieved remarkable success in limiting the further development of the Manila Galleon trade network after 1604. While other variables including the fall of the Ming dynasty and the seventeenth century depression in Spanish America impacted transpacific trade, Philip III's regulatory policies worked effectively to contain this commerce. As a result, despite

¹⁴⁵ The most prominent example of an official enforcing the 1604 regulations to their full extent is Don Pedro de Quiroga y Moya. In 1637, Quiroga y Moya ordered the entire cargo of two Manila Galleons to be inspected at Acapulco. Finding the cargo to be valued at four times the amount permitted he seized the majority of the imported merchandise, "short changing the Manila merchants of as much as 1,500,000 pesos." (178) For a full account of this episode see William J. McCarthy, "Between Policy and Prerogative: Malfeasance in the Inspection of the Manila Galleons at Acapulco, 1637," *Colonial Latin American Historical Review* 2, no. 2 (Spring 1993): 163-184.

¹⁴⁶ William Schurz, *The Manila Galleon*, 399.

the fact that smuggling continued to run rampant throughout the seventeenth and eighteenth-centuries, the Manila-Acapulco run remained the sole commercial route connecting Asia and the Americas. Privately owned commercial vessels were also excluded from the commerce and commercial voyages to and from Manila were held at around two per year. The success of these measures resulted in the total volume and value of annual trade being capped by the amount of silver and merchandise that could be loaded on to two royal-owned and operated galleons. The only way to expand commerce was to illegally build larger vessels that could make the annual voyage. Despite the impressive size of some of Manila Galleons, over 1000 tons by the early 1600s and upwards of 1500 to 2000 tons by the eighteenth-century, the amount of cargo that could be shipped was limited to what could be safely transported onboard two ships.

Even with commerce between China and the Americas being restricted in this way, the Consulado's control of colonial markets would come under increasing attack over the course of the next two centuries. It would not be Asian imports that slowly diminished Seville's trade with the New World however. Rather, European imports delivered by rival Dutch, English, French, and Portuguese merchants would be the main culprits. The same could be said for the Portuguese trading empire in Asia. The severe regulation of transpacific trade after 1604 may have prevented a further expansion of commerce between China and the New World but it did not prevent a gradual displacement of the Portuguese in Asia at the hands of rival European merchants. Nor did it secure Portugal's control of the Cape route.

The regulatory policy instituted by Philip III in 1604, however, was not a panacea for securing the commercial and financial power of the Spanish-Portuguese empire. Like the series of trade regulations enacted by Philip II, the 1604 policies were a reaction to developments taking place half way around the world and were designed primarily to preserve exiting revenue streams from the New World. Primary sources reviewed here also indicate that it may have threatened the Portuguese commercial empire in Asia and Spanish-Atlantic trade with the New

World. There is little doubt that members of the Consulado exaggerated the threat that Asian imports could wrest control of colonial markets from them and cause a substantial decline in Atlantic commerce. The Portuguese were also probably guilty of overstating the danger that transpacific trade posed to their commercial position in Asia. The actual extent of transpacific trade's threat to the interests of both groups and the finances of the Crown of Castile remains unknown. It is clear that China, and Asia in general, could provide a substantial quantity of textiles, ceramics, spices, metal goods, and various luxury items to New World markets. Could the Manila Galleon network have also provided import substitutes for traditional European goods and foodstuffs or supplies of raw materials and slaves for use in the expanding mining and agricultural sectors of Spanish America? Providing a definitive answer to this question is beyond the scope of this thesis. Exploring what a more developed early modern Pacific commercial network could have looked like in the absence of Spanish regulation, however, can begin the process of answering this question.

An Early Modern Pacific World?

Counterfactual exercises are poor substitutes for archival research. However, exploring the possibility of a more commercially developed early modern Pacific can help to begin the task of gauging the extent of transpacific trade's threat to the Consulado's hold over Spanish American markets. Doing so will also allow for the opportunity to examine economic, social, and political factors that could have worked for and against an expansion of the Manila Galleon trade network beyond levels in the early seventeenth-century. While large volumes of consumer goods flowed through Manila on their way to Acapulco at this time, Spanish American markets demanded more than simply textiles, ceramics, or spices. The economies of Spanish America were dependent on imported supplies of slaves, raw iron, metal tools, and, in the case of New

Spain, mercury. The question is, could transpacific trade have delivered adequate and consistent supplies of such goods and did colonial merchants possess the means and impetus to expand trade with Asia in these and other commodities?

It is clear that the expansion of silver mining in the Americas beginning in the mid-1500s stimulated the growth and development of the wider colonial economy. The exchange of American silver for Asian wares in turn stimulated the development of transpacific trade after 1571. The New World mining industry was, however, largely dependent on foreign imports of iron and steel and, by the early 1600s, mercury. The extraction of silver and gold ore required a steady supply of shovels, picks, crowbars and other tools. Iron was also needed for the construction of stamp mills to crush extracted silver ore in preparation for the amalgamation process. Most of the iron and steel used in New World mining industries during this period originated in the Basque country of Spain. Iron bars and steel tools, along with horseshoes, nails, hinges, and other items accompanied supplies of textiles, spices, and other luxury items that colonial merchants routinely shipped to backcountry mining centers.¹⁴⁷

Despite the Basque provinces of Bizkaya and Gipuzkoa being well known for their iron deposits and foundries, Spanish iron production paled in comparison to that of China. In the eleventh-century, Chinese iron production is estimated at 125,000 tons, an output equal to that of Western Europe circa 1700.¹⁴⁸ Production is believed to have declined following the Mongol invasion and collapse of the Song dynasty in the thirteenth-century but the extent of this decline and its duration remains debatable. As a result, there exists little scholarly consensus or hard figures on Chinese iron production during the Yuan (1271-1368), Ming (1366-1644), or even Qing eras (1655-1912). Most historians believe that following the Mongol invasion, iron production did not fully recover until the Ming era. Total output may have reached 160,000 tons

¹⁴⁷ Kris Lane, *Quito 1599: City and Colony in Transition*, 174-175.

¹⁴⁸ Kenneth Pomeranz, *The Great Divergence*, 60.

annually during this period, although some historians contend that Ming production was only around 45,000 tons, well below Song levels.¹⁴⁹ Despite a lack of hard figures on production under the Qing, Donald Wagner argues that in the early 1700s the Chinese iron industry was still the largest and most efficient in the world.¹⁵⁰ At this time, production may have reached 200,000 tons a year.¹⁵¹ In comparison, Western European iron production totaled 40,000 tons in 1500, 124,000 tons in 1600, and 165,000 tons in 1700.¹⁵²

While historians disagree over the total volume of production after the fall of the Song Dynasty, it is known that the Chinese iron industry had shifted southward by the Ming era. By the 1500s, the southern coastal provinces of Hunan, Guangdong, and Fujian were all major centers of production. The city of Foshan in Guangdong province for example, turned out 30,000 tons of worth of iron cookware, weapons, tools, and wire each year. These goods not only supplied local demand but were also exported throughout Southeast Asia.¹⁵³

The opening of direct trade with China therefore presented merchants in the New World who supplied mining centers with a second source of iron. The actual price of imported Asian iron in colonial markets is unknown but contemporaries noted its cheapness when compared to European supplies. Some of the first Chinese merchants to make contact with Spanish Manila in 1573 brought with them iron to trade and iron tools and bars are referred to frequently in primary documents as being available for purchase in the Philippines. Such goods also surface frequently in Manila Galleon shipments reaching Acapulco. The unknown author of 'Principale Points in Regard to the Trade of the Filipinas' even singled out iron nails when

¹⁴⁹ Tim Wright, "An Economic Cycle in Imperial China? Revisiting Robert Hartwell on Iron and Coal," *Journal of Economic & Social History of the Orient* (Dec 2007): 409-410.

¹⁵⁰ Donald Wagner, "The State Ironworks in Zunhua, Hebei, 1403-1581," *Late Imperial China* 26, no. 2 (2005): 68.

¹⁵¹ Arnold Pacey, *Technology in World Civilization* (Cambridge, MA: MIT Press, 1991), 108.

¹⁵² Derek Alcroft and Anthony Sutcliffe, eds., *Europe in the International Economy 1500 to 2000* (Cheltenham, UK: Edward Elgar, 1999), 31.

¹⁵³ Tim Wright, "An Economic Cycle in Imperial China?," 409, 414.

discussing the underselling of Spanish imports in the Americas. While there is no evidence pointing to a lack of iron in colonial mining centers during this period, it seems certain that if supplies of lower-priced iron were available they would have been bought by colonial merchants who regularly supplied mining centers.

Like most Asian commodities reaching Acapulco, the quantity of Chinese iron available in colonial markets is unknown. Supplies of the metal could and probably did on occasion serve as ballast for transpacific vessels but there is no evidence showing that Chinese iron was imported by the ton during the late 1500s or early 1600s. While the possibility of this occurring cannot be ruled out, the existence of a substantial transpacific trade in iron will remain sheer speculation until further research is conducted. To answer this and other questions raised here pertaining to Asian imports in Spanish America, future scholarship will need to examine sixteenth and seventeenth-century colonial merchant inventories and, in the case of Chinese iron, mining records.

Continued supplies of iron were crucial for the New World mining industry. Mercury however, was an even more vital input, a dearth of which could literally grind all production to a halt. Viceroy Martín Enríquez, who placed the distribution of mercury in New Spain under the control of the Crown in 1572, believed that “the sustenance of this land depends on the mines of silver, and they cannot be maintained without mercury.” Some four decades later Viceroy Luis de Velasco wrote that the “most important business that exists today in the Indies is the matter of quicksilver, for it is their principal support.”¹⁵⁴ After iron tools and stamp mills had been used to excavate and grind down silver ore, mercury was required to separate the precious metal so that it could be melted into pure bars and ingots. A lack of mercury thus left the mine owners unable to bring to market much of the silver that had been successfully excavated.

¹⁵⁴ Quoted in Peter Bakewell, *Silver Mining and Society in Colonial Mexico* (New York, NY: Cambridge University Press, 1971), 150.

As evidenced by Viceroy Enriquez and Velasco, officials in both the New World and Spain were well aware of the dependency of silver production on steady supplies of mercury. During the late sixteenth and early seventeenth-centuries, there were three main sources of mercury available for use in the Americas. In central Peru lay the rich site of Huancavelica, in southern Spain the Fugger controlled site of Almaden, and finally Idria, located in modern day Slovenia. Up until the late 1500s, Huancavelica was able to supply all of Peru while production at Almaden was channeled almost exclusively to New Spain. The 1590s however, saw Huancavelica production peak and enter a slow secular decline.

The decline of Huancavelica mercury production was, according to Peter Bakewell, “in part the result of conscious efforts to reduce production...but it also derived from intrinsic difficulties in the mine which now began to appear and which were to become constantly greater.”¹⁵⁵ The decrease in Huancavelica production forced officials in Spain to contract for the mining of mercury at Idria and to divert European supplies of quicksilver to Peru at the expense of New Spain. This in turn caused a shortage of mercury in Mexico, prompting Viceroy Cadereita to complain in 1636 that while miners in New Spain required an estimated 6,000 quintals, the colony had received a paltry 634. Due to the lack of mercury, commerce in the colony is said to have been hit with “a great frost” and silver remittances originating from Zacatecas and the surrounding area having decreased by as much as two-fifths.¹⁵⁶

The potential of a shortfall in mercury supplies, although routinely exaggerated by colonial officials, was thus real and the consequences of an actual dearth both immediate and far-reaching in terms of silver remittances to Spain and the overall health of colonial economies. For these reasons, government officials in the Philippines and the Americas continuously gauged the possibility of acquiring further supplies of mercury from sources outside of Huancavelica,

¹⁵⁵ Peter Bakewell, *Silver Mining and Society in Colonial Mexico*, 155.

¹⁵⁶ Peter Bakewell, *Silver Mining and Society in Colonial Mexico*, 164-165.

Almaden, and Idria. As early as 1592, Governor Desmariñas of the Philippines informed the King that mercury could be bought from Chinese merchants for a “satisfactory price [and in] whatever quantity is desired.”¹⁵⁷ Nothing seems to have come of this, for in 1601, following the decline in production at Huancavelica, Viceroy Valesco in Peru again raised the possibility of importing mercury from China, believing that considerable supplies could be had at comparatively lower prices. In 1605, a Mexican official wrote to the king after hearing that the rather unrealistic sum of 100,000 quintales of mercury was available for purchase in Canton. He went on to inform Philip III that 1,000 to 1,500 quintales (100 to 150 tons) could be shipped from Manila to Mexico at a “cost of 45 pesos 5 reales each, half the price of Spanish mercury sold in New Spain.”¹⁵⁸

The reports of readily available mercury in China prompted Spanish officials in the Philippines to request in 1610 that the Portuguese supply Chinese mercury to the colony. A deal was eventually reached and the Portuguese promised to sell the Spanish as much mercury as they desired at around 50 pesos a quintal. One Pedro de Angula Salazar subsequently traveled to Macao with some 25,000 pesos in hand and later received another 25,000 from Manila. An additional 75,000 pesos was later dispatched from New Spain but the actual quantity of mercury acquired by Salazar is unknown. At the time, Viceroy Marqués de Salinas pleaded to the king for the legal value of transpacific trade to be increased from 250,000 to 500,000 pesos a year in order to allow for the importation of mercury from China.¹⁵⁹ This implies that significant quantities of mercury may have been acquired by Spanish merchants in Manila, leading officials in New Spain to try and gain royal permission for the importation of quicksilver from Asia.

Despite these efforts, little mercury seems to have arrived through legal channels to the New World via Manila. Contraband trading could and probably did bring in small batches but

¹⁵⁷ Blair and Robertson, *Vol. VII*, “A Letter from Luis Perez Dasmariñas to Felipe II,” 228.

¹⁵⁸ Peter Bakewell, *Silver Mining and Society in Colonial Mexico*, 152.

¹⁵⁹ George Souza, *The Survival of Empire*, 71-72.

these would not have amounted to much. More research on the availability of mercury for export in China is required to assess whether or not transpacific trade could have offered a substantial and consistent supply of mercury to the New World mining industry. It is clear from the documentary record, though, that the prospect of importing Chinese quicksilver was met with strong opposition from Spain. Like all aspects of transpacific trade, purchasing mercury directly from China sparked fears over the continuing drain of American silver. The prospect of contracting with Portuguese traders was also met with concern. Spanish officials feared that Portuguese merchants would use the opportunity to import Asian wares into New World markets. The lack of a more developed trade in mercury between China and Spanish America has thus been explained by George Souza and Peter Bakewell as a consequence of the Crown's unwillingness to lend support to the endeavor.¹⁶⁰

An unrestricted Pacific commerce might have supplied New World mining centers with both iron and mercury from China. The obstacles to supplying Peru with relatively low weight wares such as textiles from Spain was great enough; one can hardly imagine the difficulty of crossing the Isthmus of Panama with a train of mules or laborers weighted down with steel tools, iron bars, and flasks of mercury. The shortage of mercury in New Spain during the 1630s could have also been avoided through Chinese imports. To what extent this would have had on the overall health of the industry and the wider economy can never be known. These developments would have been largely dependent on an expansion in private commercial shipping along the lines that both Peñalosa and Villamanrique sought in the 1580s and 90s. If these efforts had met with success, the mining and refining industries of both China and the New World could have formed a closer, perhaps symbiotic, connection.

A transpacific trade of this kind, tying together mining industries in Asia and the

¹⁶⁰ George Souza, *The Survival of Empire*, 71-72. Peter Bakewell, *Silver Mining and Society in Colonial Mexico*, 152-153.

Americas, would have relied on Spanish American merchants, perhaps aided by the Portuguese. On the one hand, merchants would have required the material and financial resources to construct ships capable of making regular voyages to and from Manila. Even before the colonization of the Philippines, several small but capable shipbuilding industries existed along the Pacific coastline of Spanish America, particularly at Guatulco and Guayaquil. By the late 1500s, galleons were also being constructed at the Cavite yards near Manila. It was already possible to expand the number of vessels plying the Pacific. The majority of ships trading between New Spain, Panama, and Peru were privately owned, besides, either by merchants or ship captains, and there are numerous instances of privately owned vessels making the annual voyage to Manila as well. This indicates that some merchants did have access to the financial capital to purchase or construct ships for use in transpacific trade. It seems plausible that if the Crown and colonial officials had not restricted this trade, more would have done so.

On the other hand, transpacific crossings were fraught with danger. Not only was the return journey especially long and difficult due to Pacific wind patterns but attacks by European rivals, along with Chinese and Japanese pirates were always a potential threat. It is doubtful that merchants would have invested heavily in transpacific trade without the development of an elaborate convoy system similar to that which existed in the Atlantic. This would have decreased the risk of private ships and their cargo from being seized or lost at sea. In all likelihood, this would have required the establishment of colonial settlements along the California coastline with facilities capable of receiving and supplying ships returning from the Manila. The idea of establishing such a way station was actually floated in the late 1590s and the exploration of suitable bays took place shortly afterwards.¹⁶¹ Thus an expansion of transpacific trade could have prompted a tremendous acceleration in the spread of Spanish control and settlement of the

¹⁶¹ Blair and Robertson, *Vol. XIV*, "Decree Establishing a Way-Station for Philippine Vessels on the California Coast," 182.

Pacific coastline of North America. This would have undoubtedly taxed the resources of the Crown and the colony of New Spain. Nonetheless, the outline of a hypothetical Pacific World can clearly be seen emerging.

The development of a Pacific convoy system would have required more than simply an increase in the shipment of Asian supplies destined for New World mining centers. A further expansion of transpacific trade beyond the levels of the 1590s would have been contingent largely on the continued demand for Chinese consumer goods. The seemingly inexhaustible desire of wealthy colonial subjects for luxury items and instances of Indian, Spanish, and free African laborers wearing Asian textiles is well known. Colonial markets were however, not immune from becoming glutted with imported wares. While contemporaries in favor of trade with Manila routinely discussed impressive sums of revenue that could be had if only restrictions were relaxed, these were a best crude guesses and were undoubtedly widely inflated. As Garner has pointed out, “one is almost led to believe [from primary sources] that because of the mineral resources the market was virtually inexhaustible regardless of price or quality.”¹⁶² In reality, though, markets were limited at the most basic level by the relatively low number of Spanish or mixed blood consumers and the ever-decreasing population of indigenous subjects during this period. The actual purchasing power of these groups also differed widely and just because some laborers were observed wearing imported silks does not make them regular consumers.

Despite what some contemporary observers believed about the potential of transpacific trade, there was a point at which colonial markets would have become saturated and any further imported goods gone unsold. What precisely this point was remains unknown, but it would have represented the limits to which transpacific trade could have expanded. It is worth noting that the value of Atlantic trade may have risen throughout the 1600s despite a decrease in overall tonnage and “a growing fraction of it consist[ed] of high value, low volume” goods that could

¹⁶² Richard Garner, “Where Did All the Silver Go?,” 80.

not be produced in the Americas.¹⁶³ Thus, while the colonial market for Chinese goods was never unlimited, it could have expanded modestly during the seventeenth-century.

Research on the importance of Asian imports and the workings of the colonial market in general is limited for the period in question. As a result, knowledge concerning the actual demand for and distribution of Asian or European imports for that matter is severely lacking. Jane Mangan's much appreciated work on the economy and society of colonial Potosí however, has revealed the intricacies of the urban marketplace in colonial Latin America. Within these commercial spaces, Spanish, Creole, indigenous, and African men and women played the role of both consumers and suppliers of local and imported goods.¹⁶⁴ Further research along these lines and for locales other than prominent mining centers would thus go along way in assessing the consumption patterns and purchasing power of colonial consumers.

The viability of an early modern Pacific World also rests on the extent to which colonial merchants sought ever-expanding sums of commercial profit as opposed to operating under a more commercially conservative strategy of rent seeking. This leads to the familiar debate over the degree to which the entrepreneur spirit existed in the colonial and wider Spanish social milieu of the period. In regards to the latter, even a cursory reading of primary and secondary sources reveals a wide range of individuals from various socioeconomic status who showed the wherewithal and commercial acumen to pursue and develop a wide range of commercial ventures. Thus, as Bakewell has argued in his study of seventeenth-century Potosí "millionaire" Antonio López de Quiroga, the "impressions of backwardness, conservatism, and enervation in Hispanic business belong more to Spain itself than to the colonies [and in] America, entrepreneurship was by no means rare...and had in reality been a marked feature of colonial life

¹⁶³ Peter Bakewell, *A History of Latin America to 1825, Third*, 301-302.

¹⁶⁴ Jane Mangan, *Trading Roles*.

from the conquests onwards.”¹⁶⁵

Even if colonial merchants engaged in transpacific trade are to be classified as entrepreneurs, this does not preclude them from having used their commercial success in pursuit of rents. In short, having profited from the importation or distribution of Asian wares, individuals could and probably did devote considerable financial sums to gaining control over land, mines, and other natural or agricultural resources. Many would have also decided to forgo further commercial interests and instead pursue political and social standing through titles of nobility or positions in local government. The degree to which merchants actively pursued rent seeking and social standing would thus have gone a long way in determining the extent to which transpacific trade would have increased in the absence of government suppression.

As Braudel observed of early modern European merchants, such individuals did not operate solely under “a mentality made up of calculation, reason, cold logic, a lack of normal feelings, all subordinated to an unbridled appetite for gain.”¹⁶⁶ The same could be said for colonial merchants in the New World. As both Spanish subjects and Christians, they possessed considerable social, political, and cultural ties to their sovereign, motherland, and faith. Such ties impacted the decision-making process when it came to commerce with Asia. Evidence of the first two can be found in the numerous instances of merchants appealing to Philip II and III directly or through colonial officials for the legal expansion of transpacific trade. Merchants in Peru even proposed to Philip II that they pay a larger import tax on Asian goods in exchange for the right to trade with the Philippines. Despite the high degree of contraband trading in the Pacific, merchants were not as cavalier as one might think when disobeying the wishes of their king. They often worked, rather unsuccessfully, through legal channels to expand commerce with Asia. There was also undoubtedly tension surrounding continued trade with ‘infidels’ like the

¹⁶⁵ Peter Bakewell, *Silver and Entrepreneurship in Seventeenth-Century Potosí* (Albuquerque, NM: University of New Mexico Press: 1988), 172.

¹⁶⁶ Fernand Braudel. *The Wheels of Commerce: Civilization and Capitalism 15th-18th Century*, Vol. II, 401.

Chinese or New Christian Portuguese and the risk that such commerce posed to the continued power of the Catholic King and Christendom itself. To date, however, with the exception of Borah's *Early Colonial Trade and Navigation Between Mexico and Peru* and Louisa Hoberman's *Mexico's Merchant Elite*, few in depth studies of colonial merchants for the period in question exists. Even less is known about those operating primarily in inter-colonial Pacific or transpacific trade.

As the development of Atlantic World historiography has shown, the creation of commercial networks linking continents and societies entails more than simply the exchange of resources and goods but the movement of people, ideas, and tastes as well. As of the present, few scholars with the exception of Edward Slack in the recent article "The Chinos in New Spain" have focused on the movement of people from Asia to the Americas along the Manila Galleon trade route. As Slack has demonstrated, there were a substantial number of Chinese, Japanese, Filipino, and Indian immigrants to New Spain during the early years of transpacific trade. Some were brought by Spanish and Portuguese merchants as personal servants, others as slaves who may have numbered around 600 a year throughout the first decade of the seventeenth-century.¹⁶⁷ Filipinos and Chinese also served aboard Spanish ships and in fact constituted the majority of transpacific sailors, sixty to eighty percent, by the early 1600s.

After arriving in Acapulco, few Chinos seem to have chosen to return to Asia, preferring instead to settle in New Spain. Once in the Americas, many married indigenous, free and enslaved African women and "farmed rice (brought from the Philippines), corn, and cotton; tended cacao and coconut palm tress; fished in the seas and rivers; and transported people and goods to various ports along the coastline."¹⁶⁸ Chino immigrants involved in palm tree cultivation even created a palm wine industry in New Spain. By 1619, the beverage had

¹⁶⁷ J.I. Israel, *Race, Class, and Politics in Colonial Mexico*, 75-76.

¹⁶⁸ Edward Slack, "The Chinos in New Spain: A Corrective Lens for a Distorted Image," *Journal of World History* 20, no. 1 (March 2009): 39.

reportedly become very popular with natives and posed a threat to the sale of imported wine from Spain.¹⁶⁹ Other Asian immigrants settled in urban centers throughout Mexico and took up artisan trades, becoming blacksmiths, cobblers, tailors, and even vendors and barbers. The large number of Chinese barbers in Mexico City led to an official complaint being lodged in 1635 with the local cabildo. The cabildo recommended to the Viceroy that Chinese barbers be expelled from the city center and their number limited to twelve.¹⁷⁰ What little is known concerning chino immigration leaves open the possibility that unrestricted transpacific trade could have led to a larger inflow of Asian immigrants or slaves and with them a cultural exchange akin to that which took place in the Atlantic.

Specific factors such as the material demands of the New World mining industry, the size of colonial markets, the disposition of colonial merchants towards rent seeking, and the inflow of chino immigrants could have worked both for and against a further expansion of transpacific trade. Other economic and political forces, though, would have had an equal if not greater impact. While Borah's rather dismal view of Spanish American seventeenth-century economic decline has since been revised, a decrease in the New World's transoceanic commerce did take place. In regards to trade with China, Richard von Glahn estimates that 326 tons of silver flowed to the country from Manila during the first decade of the seventeenth century. From this high point, the amount steadily fell, hitting a low of 8.6 tons in the 1660s before rising steadily to a little over 100 tons in the 1690s.¹⁷¹

While American silver production did decrease between 1630 and 1700 due to a decline in production at Potosí, the cause for such a precipitous falling off of trade with China is not to be found solely in the workings of the colonial economy. Rather, it was China that was in fact

¹⁶⁹ Blair and Robertson, *Vol. 18*, "Relation by Captain Sebastian de Pineda, on matters relating to the Filipinas Islands," 175-176.

¹⁷⁰ Homer Dubs and Robert Smith, "Chinese in Mexico City in 1635," *The Far East Quarterly* 1, no. 4 (1942): 387.

¹⁷¹ Richard von Glahn, *Fountain of Fortune*, 232.

undergoing severe economic decline and political instability during this period. Following the sack of Beijing and the death of the last Ming Emperor in 1644, several provinces, including Fujian and Guangdong, resisted subordination to the newly established Qing dynasty for two decades. This, in conjunction with the onset of an economic depression in 1661, may have contributed to a severe decline in China's trade with Manila.¹⁷² It is worth noting however, that Richard von Glahn argues the "decline in official trade between China and the Philippines after 1620 most likely was offset by a proliferation of illicit trade on a scale comparable to the peak years of the official trade."¹⁷³ Therefore, transpacific commerce may have weathered the political and economic instability of the seventeenth century as well if not better than Spanish Atlantic trade.

Precipitating and in fact contributing to the possible decrease in transpacific trade and the fall of the Ming dynasty however, was the global convergence of bimetallic ratios – the exchange rates between silver and gold. By the early 1640s, the value of silver in China had decreased substantially and was roughly equivalent to the going rate in Europe.¹⁷⁴ Thus, even in the absence of heavy regulations limiting transpacific trade, commerce between China and the New World would have been severely strained by the decline in the value of silver in Asia, the decrease in American silver production, and the political and economic instability that engulfed China during the mid seventeenth-century. By the opening of the 1700s, however, these trends had slowed and were soon moving in reverse. Following the return of political stability, population levels in China began to rise, driving economic expansion and an increase in demand

¹⁷² Richard von Glahn, "Myth and Reality of China's Seventeenth Century Monetary Crisis," *The Journal of Economic History* 56, no. 2 (June, 1996): 441.

¹⁷³ Richard von Glahn, "Myth and Reality of China's Seventeenth Century Monetary Crisis," 440.

¹⁷⁴ Dennis Flynn and Arturo Giráldez, "Cycles of Silver," 395.

for silver around the turn of the eighteenth-century. As a result, the price of silver in Canton exceeded that of Europe by some fifty percent in the early 1700s.¹⁷⁵

While the value of silver in China remained high during the eighteenth-century, silver production in the Americas, specifically the colony of New Spain, increased. Owing to the immense reserves of Potosí, Peru had dominated New World silver production throughout the 1500s and well into the seventeenth-century. By the late 1600s, however, New Spain accounted for roughly half of all silver output in Spanish America, approximately 3.9 million out of 8.3 million pesos annually. Except for a brief fall in production levels in the 1760s, Mexican output continued to surge, rising from 10.2 million a year in the 1720s to 23.1 million in the 1790s. South American production expanded throughout the eighteenth-century as well but grew by only 250 percent compared to an increase of 600 percent in New Spain.¹⁷⁶

Compared to levels around the turn of the seventeenth-century, silver production was not the only economic indicator of New Spain to have shown a substantial increase. The combined European, indigenous, and mixed blood population of New Spain stood at an estimated 2.5 million in 1600. By 1700, it had risen to 4.5 million and would reach 6.5 million by the opening of the nineteenth-century.¹⁷⁷ Therefore, as Mexican silver production expanded so did its population. While a rise in population does not correspond directly to an increase in consumer demand, there is little doubt that the market for Asian commodities in New Spain was greater in the 1700s than the late sixteenth century. Throughout the eighteenth-century in fact, Mexican officials placed the value of silver shipped annually to China at three to four million

¹⁷⁵ "A fifty percent premium [on silver] existed this time, rather than the one hundred percent premium during the 1540-1640 period." Dennis Flynn and Arturo Giráldez, "Cycles of Silver," 395.

¹⁷⁶ John Fisher, "Mining and Imperial Trade in Eighteenth Century Spanish America," in *Global Connections and Monetary History*, 123-124.

¹⁷⁷ Angus Maddison, *The World Economy, Volumes 1-2* (Paris: Organization for Economic Co-Operation and Development, 2006), 235, 270.

pesos (75-100 tons).¹⁷⁸ These figures, like those of sixteenth-century officials, are questionable and the real value of trade was probably lower. However, even if these figures were inflated, the possibility remains that transpacific trade levels had increased modestly over Garner's low estimate of 700,000 and Flynn and Giráldez's high of two millions pesos per year in the 1590s.

Therefore, despite seventeenth century political instability and a fall in the value of silver in China, conditions on both ends of transpacific trade routes were advantageous for commerce after 1700. China resumed its status a silver sink for much of the eighteenth-century while New Spain's silver production surged and population levels steadily increased after 1700. Furthermore, despite the fact that Philip III's regulatory policy of 1604 remained in place and transpacific trade was limited to two vessels a year, the eighteenth-century economies of China and New Spain showed a remarkable degree of interconnectedness. William Schell has even argued that there existed a silver symbiosis between China and Mexico throughout the eighteenth and nineteenth-centuries. This "Sino-Mexican symbiosis entered its fullness as China's population and domestic economy recovered and Mexico replaced Peru as the world's major silver producer" in the 1700s.¹⁷⁹ One is left to wonder to what extent this relationship could have developed under a less restrictive regulatory system throughout the early modern period.

Ultimately, the question of whether or not transpacific trade would have increased in the absence of government suppression is unanswerable. The outline of what an early modern Pacific world could have looked like, though, points to the possibility that further expansion was possible. Despite the feasibility of a more developed economic relationship between Asia and the New World, the argument put forward by various colonial officials that this would have caused a collapse of Atlantic trade must still be regarded as a gross exaggeration. Sixteenth-century

¹⁷⁸ Richard von Glahn, "Money Use in China and Changing Patterns of Global Trade" in *Global Connections and Monetary History*, 195.

¹⁷⁹ William Schell Jr., "Silver Symbiosis: ReOrienting Mexican Economic History," *Hispanic American Historical Review* 81, vol. 1 (February 2001): 105.

transpacific commerce was a threat to the sale of some European imports in colonial markets. It was not an existential threat to Atlantic commerce. In terms of specific goods such as textiles and ceramics, cheaper and by some accounts finer quality Chinese imports could have spoiled the market for their European counterparts. The same could have also occurred for jewelry, devotional pieces, furniture, mercury, iron and other wares.

However, there were things China, and Asia in general could not have supplied to New World markets in quantities large enough to meet total demand. Chief among these were slaves. While there was a limited traffic in chino slaves during this period the totals never came close to matching the number of African slaves delivered to the Americas by Portuguese merchants. Like mercury, foreign supplies of bondsmen were vital to the colonial economies of the New World by the late 1500s. As the indigenous population levels continued to decline throughout the first half of the seventeenth century, this dependence on imported labor only increased. While it is possible that an increase in chino slave trading could have helped meet the growing demand in colonial markets for laborers, it is highly unlikely that transpacific commerce could have eclipsed the Atlantic slave trade. By the late 1590s, over 2800 African slaves a year were arriving in Spanish America annually, surpassing 3800 a year after the mid seventeenth century.¹⁸⁰

The significant cultural ties between Europe and the New World would likely have also mitigated a drastic falling off of Atlantic commerce. Colonial elites were primarily oriented towards European society and would have continued, for example, to ape the latest fashion trends of the metropole. Thus, even if Chinese silk and perhaps Indian cotton had come to dominate colonial markets, there would have remained a demand for Dutch linens, Rouen cloth, and various decorative trimmings produced in European textile centers. Along with these goods, Asian merchants would have also been unable to provide import substitutes for traditional European foodstuffs such as “wine, brandy, flour, olive oil, preserved fruits, [and] nuts.” Despite

¹⁸⁰ Philip D. Curtin, *The Atlantic Slave*, 25.

the fact that colonial palates became increasingly creolized over time, Atlantic traffic in the above items continued to be lucrative throughout the seventeenth and eighteenth-centuries.¹⁸¹

Finally, an expansion of transpacific trade would have been constrained by the fact that besides silver bullion, colonial Spanish American laborers produced little that Asian merchants desired. Although mining remained the dominant economic activity within Spanish America, there were other export-oriented industries that saw significant development during the colonial period. Sugar for example, was one of the first colonial products to be exported to Europe and it remained an extremely profitable transatlantic commodity throughout the early modern period. Dyes were another colonial product that found a ready market in Europe. The export of both indigo and cochineal from New Spain each surpassed half a million pesos a year by the opening of the seventeenth-century.¹⁸² Finally, other products such as tobacco, hides, and cacao would have also continued to attract European merchants to Spanish American ports along the Atlantic seaboard for the duration of the early modern period.

In short, the demand for African slaves, colonial exports other than silver, and cultural ties to Europe would have prevented a drastic decrease in Atlantic commerce from occurring. Instead, a more likely outcome of a less regulated Manila Galleon trade network would have been a greater degree of specialization in the foreign trade of the New World. Colonial production would have followed global trade routes to the markets where it was valued the most. Increasing supplies of silver would have flowed across the Pacific to the Chinese sink in exchange for ceramics, spices, silk thread, finished textiles, possibly mercury and iron, and other various consumer goods. The total amount of New World silver being shipped directly to Asia would, however, have been contingent on the demand for Asian goods in colonial markets.

¹⁸¹ Peter Bakewell, *A History of Latin America to 1825, Third Edition*, 363.

¹⁸² Peter Bakewell, *A History of Latin America to 1825, Third Edition*, 235-237.

Sugar, dyes, tobacco and other colonial commodities, along with still significant supplies of silver, would, on the other hand, have continued to gravitate towards Europe.

Therefore, even in the absence of the Crown's severe regulation of transpacific trade, Mexico was unlikely to become the "center of the world." Nor would the New World "come to have no need of Hespaña" or the European wares and African slaves that Sevillean and Portuguese merchants dealt in. However, the expansion of transpacific trade beyond the levels obtained in the late 1500s could have broken the Consulado's hold on colonial markets. As argued here, this would have dealt a severe blow to the already tentative finances of the Crown of Castile and with them, the seventeenth century global empire of Spain. The further development of the Manila Galleon trade network after the 1590s could have also led to a greater degree of economic interdependence between Asia and the America, specifically China and New Spain after 1700.

Conclusion

By adopting a global market framework and drawing from various historical subfields, this paper has sought to frame the opening of transpacific trade as a global event. The flow of American silver and Asian wares across the Pacific in the late 1500s altered global trade routes and patterns of consumption and production in Asia and the New World. Rather than provide a commercial windfall to Spain, access to the fabled riches of Cathay quickly proved to be nightmare for the commercial interests of the Sevillean Consulado and for the royal treasury. To a lesser extent, it may have also posed a threat to the Asian commercial empire of the Portuguese, after 1580 subject to Spanish crown authority. The Manila Galleon trade network was one of many threats to Castilian hegemony in the late sixteenth and early seventeenth-centuries. But unlike political challenges such as the revolt of the Spanish Netherlands, Turkish

advances in the Mediterranean or the problem of England, the opening of transpacific commerce had truly global implications.

Viewed in this light, current scholarship on the Manila Galleon trade network in the late sixteenth-century prompts as many questions as it provides answers. It is clear that transpacific commerce had a significant impact on global trade flows and with them, Spanish imperial policymaking. What remains unclear is the extent of the trade's affect on these and other historical developments throughout Spanish America, Eurasia, Africa, and the global trading world in general. While major shortcomings of Manila Galleon historiography have been touched upon already, they will be revisited here in order to map out a more comprehensive and interdisciplinary research plan.

First, the historiography of the Manila Galleon must be reevaluated in light of recent developments in economic history and world-systems analysis. The debate over a European versus Asian-centered early modern world economy remains unresolved. It is clear, however, that the last two decades have witnessed significant changes in the ways historians conceptualize global trade patterns and economic development during this period. Dennis Flynn and Arturo Giráldez's research on silver flows and that of Richard von Glahn on the Ming dynasty's monetary policy, has demonstrated the central place of China within the early modern silver trade. Andre Gunder Frank's sinocentric model of the early modern global economy and Kenneth Pomeranz's great divergence thesis have also complicated historical understandings of the rise of the west and called into question Eurocentric interpretations of world history. In response to these historiographical and methodological developments, the work of Borah, Schurz, Spate and others on transpacific trade must be reexamined. Rather than approach this historiography from an Asian or sinocentric standpoint, though, scholars should adopt a global market framework that focuses on the complementary demand for commodities that existed between sixteenth-century markets in Asia and Spanish America.

Despite the need to reassess the historiography of the Manila Galleon, this body of research provides a strong foundation on which to build a more comprehensive understanding of the Manila Galleon commercial network. To move forward, however, requires careful consideration of how present knowledge of early modern global economic structures both complicate and challenge the work of twentieth century scholars. To what extent for example, did the assumption of European economic superiority vis-à-vis Asia lead earlier historians to downplay the impact of transpacific trade on historical developments in Spanish America or the threat that this commerce posed to the Consulado's dominance of colonial markets? In contrast to earlier scholars, by interpreting widely available and heavily cited primary sources within a global market framework, this study has shown that these fears may have been genuine. To use but one of many examples from the historiography of the Manila Galleon, O.H.K. Spate's characterization of the warnings over transpacific trade as "vastly exaggerated" claims from "enemies of the [Manila] Galleon and the New Spain-Peru trade" can no longer be uncritically accepted.¹⁸³

Embracing recent developments in global economic history and world-systems analysis is also the first step towards globalizing the history of the Manila Galleon beyond silver flows. Among other developments, the early modern period saw a substantial growth in the volume and value of long distance trading. In Spanish America, the development of transpacific trade helped to transform colonial markets into sites of global consumption where consumers could choose between European, Asian, and thanks to Portuguese transatlantic trade, African commodities. Understanding the larger forces at work in facilitating and shaping Asian-American trade and Spanish American economic development in general, demands that knowledge of global economic structures be incorporated into future research. Therefore, like prior research, archival sources pertaining to the Manila Galleon need to be examined within a global economic

¹⁸³ O.H.K. Spate, *The Pacific Since Magellan*, 226.

framework that recognizes the economic weight of Asia in general and China specifically throughout the early modern period.

As this paper has demonstrated, interpreting primary sources using a global market framework elevates the opening of transpacific trade to a level of global significance that earlier historians, with the recent exception of Flynn and Giráldez, either downplayed or failed to recognize. Again, the research presented here is based on a very narrow survey of primary documents. Therefore, the vast majority of archival sources that past historians utilized when conducting research on the Manila Galleon await revisiting. However, a large portion of these sources were official Spanish documents housed in the Archivo General de Indias. While these sources may yield further insights into the Manila Galleon trade network, colonial archives in Latin America offer the most promising potential for future research. In particular, notary records pertaining to colonial merchant activity represent a voluminous but little utilized source. These records, which frequently contain commercial inventories or detail short-term contracts between merchants, can shed light on the extent and impact of the trade in and consumption of Asian imports in Spanish America.

In particular, notary records could potentially identify the precise type and even quantity of Asian goods reaching New World markets. This knowledge would go a long way in offering a more balanced understanding of transpacific trade in contrast to the current focus on silver flows to Asia. While silver played a central role in transpacific commerce, it represents only one side of the story. Any bullion that entered the Chinese silver sink was exchanged for other commodities. Despite the fact that William Schurz called “the manifest lists of the [Manila] galleons a veritable catalogue of the products of the Orient,” knowledge concerning the variety and quantity of Asian goods arriving at Acapulco remains scarce.¹⁸⁴ Goods exported to the New World from the Philippines were rarely registered on an individual basis. Instead, merchants listed the total

¹⁸⁴ William Schurz, *The Manila Galleon*, 31.

number of packets being shipped aboard each vessel and declared to government officials only the total value of merchandise contained in each. Upon their arrival to the New World, these packets were seldom opened or inspected.

As a result of these practices, records detailing the specific type and quantity of Asian merchandise arriving to Acapulco and other American ports are exceedingly rare. The illicit nature of transpacific trade and the degree to which both colonial merchants and some officials sought to obscure commerce with Asia also makes any effort to illuminate the contents of east bound cargoes inherently difficult. Clearly, there exists no shortage of obstacles to overcome concerning research on Asian imports in the markets of colonial Spanish America. However, the heavy reliance of past historians on sources housed in the Archivo General de Indias may have limited their efforts to present a more detailed picture of Asian imports. Therefore, future research based on notary records could offer a more detailed assessment of the variety and quantity of wares that were shipped to the New World via the Manila Galleon trade network. Merchant inventories and contracts also have the potential to gauge the average price of Asian wares compared to similar merchandise imported from Europe. This could, in turn, help to gauge the actual extent to which Asian imports threatened to undermine the sale of merchandise delivered by transatlantic trade and the merchants of Seville.

Notary records also have the potential to shed light on the impact of transpacific trade on inter-Pacific commerce in sixteenth and early seventeenth-century Spanish America. The internal dynamics of colonial markets and trade during this period in particular represents a little investigated area of colonial Latin American history. Although a pioneering study, Woodrow Borah's *Early Colonial Trade and Navigation Between Mexico and Peru*, was able to present only tentative conclusions and failed to spark sustained research on the subject. Along with Borah, various twentieth-century historians, including James Lockhart and William Schurz, argued that the opening of transpacific trade marked both a quantitative and qualitative change in this

commerce. Short of estimating the value of silver flowing northward from Peru to Acapulco or offering anecdotal evidence, however, these scholars were unable to put forward comprehensive research that illuminated these changes.

Further research on inter-Pacific colonial commerce using notary documents could help to gauge the impact of the Manila Galleon network on colonial trade patterns and merchant activity. It could help reveal the extent that colonial commerce expanded as a result of Asian commodities and identify what regional markets these goods were predominantly consumed in. Future research, however, should not focus primarily on estimating the value and volume of this commerce. While more precise data on trade levels between New Spain and Peru is required there are a host of questions concerning qualitative changes that remain unanswered. First among these is whether or not sixteenth-century transpacific and inter-Pacific trade was dominated by factors for Sevillean firms or independent colonial merchants. Again, past historians have noted that the growth in inter-Pacific commerce gave rise to independent colonial merchants who specialized in buying both European and, after 1571, Asian imports at Acapulco. To what extent these merchants actually dominated inter-Pacific trade and altered colonial trade patterns, however, remains unknown. Focusing on inter-Pacific commerce and the impact of transpacific trade on colonial merchant activity thus has the potential to 'globalize' this area of Latin American historiography by revealing how Spanish American merchants dealt in global commodities and shifted resources between transpacific, transatlantic, and inter-Pacific trade routes.

A focus on colonial notary records could help to augment knowledge of sixteenth-century credit markets in Latin America. The financing of transatlantic trade for the period examined here was dominated primarily by resident Genoese merchants in Seville whose commercial networks also extended to the New World. From their position on both ends of Atlantic trade routes they dispensed capital to merchants on a short-term basis and at interests

rates between fifty and ninety percent. How, by whom, and at what rates inter-colonial and transpacific trade was financed is less well known. The more successful merchants of Mexico City and Lima did provide credit for such commerce but prior to the founding of Spanish Manila, the availability of capital for inter-Pacific colonial commerce was undoubtedly limited in comparison to transatlantic trade. The rapid expansion of transpacific commerce after 1571, however, may have led to a significant expansion in capital stocks, specifically those of successful merchants in Mexico City and Lima. The affect of transpacific commerce on the availability of capital in the New World during the late sixteenth-century thus represents yet another aspect of colonial Latin American historiography that has remained largely undeveloped.

Although the research here has focused overwhelmingly on the economic and policy ramifications of the Manila Galleon trade network, there were social and cultural repercussions that await further exploration. Jane Mangan's use of colonial notary records has shed light on the structure and day-to-day workings of Potosí's urban marketplace. Her work has also demonstrated that trade and consumption played a crucial role in the formation of colonial identities. The purchase of Asian over European imports by various New World consumers was therefore a decision that hinged on more than simply price differentials. Those who bought Asian goods did so for various reasons and must have seen in such consumption a way of defining themselves within colonial society. The introduction of Asian motifs, whether on textiles, ceramics, jewelry, or furniture, also came to exercise a documented influence on New World artists and craftsman.¹⁸⁵ Therefore, not only do notary records have the potential to increase our understanding of how transpacific trade impacted colonial commerce and merchant activity, they could also help reveal the social and cultural significance of Asian merchandise to colonial consumers in Spanish America.

¹⁸⁵ See Donna Pierce, ed., *Asia & Spanish America: Trans-Pacific Artistic and Cultural Exchange, 1500-1850* (Denver, CO: Denver Art Museum, 2000).

In closing, it is clear that there exists a strong need for further research on the immediate impact of the Manila Galleon trading network on historical developments above and beyond Pacific silver flows. Whether the focus is on Spanish imperial policymaking, merchant activity, or the various social and economic aspects involved in the production and consumption of commodities, future research needs to be pursued within a global framework. As advocated here, not only should scholars approach questions regarding transpacific trade from a global standpoint, they should do so focusing on the complementary demand for silver in China and consumer goods in Spanish America. The wearing of Chinese silk by Spanish, Creole, African, or indigenous men and women throughout the Americas or the use of the *real de a ocho* by Chinese merchants and peasants, implicated such individuals directly in the ongoing expansion of the early modern global economy. As the early history of the Manila Galleon demonstrates, this economic expansion both shaped and was shaped by the actions of merchants, consumers, and government officials throughout Asia, the Americas, and Europe. Along with questions concerning the specific impact of transpacific trade on early modern social, political, and economic developments, to what extent the actions of individuals inhibited or aided the development transpacific commerce awaits to be discovered.

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